

**ODA: OFFICIAL DEVELOPMENT ASSISTANCE OR
OPPORTUNITY, DUTY AND AGENDA?**

**A COMPATIVE ANALYSIS OF JAPAN AND AUSTRALIA
AS FOREIGN AID DONORS IN THE SOUTH PACIFIC,
1976-2000**

A thesis

Submitted in partial fulfilment

Of the requirements for the Degree

Of

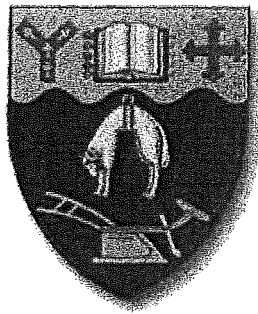
Master of Arts in Pacific Studies

In the

University of Canterbury

By

Brian Cosgriff



University of Canterbury

September, 2001

TABLE OF CONTENTS

| | |
|-----------------------|-----|
| LIST OF TABLES | i |
| ABSTRACT..... | ii |
| ACKNOWLEDGEMENTS..... | iii |

CHAPTER ONE: INTRODUCTION

| | | |
|-------|--|----|
| 1.1 | NATURE AND SCOPE | 1 |
| 1.2 | THEORETICAL CONSIDERATIONS | 6 |
| 1.2.1 | Theories of Foreign Aid..... | 6 |
| 1.2.2 | Comparative Studies of Aid Donors..... | 8 |
| 1.2.3 | Definitions..... | 19 |
| 1.3 | OUTLINE | 21 |

CHAPTER TWO: FOREIGN AID AND THE DONORS

| | | |
|-------|---|----|
| 2.1 | INTRODUCTION..... | 23 |
| 2.2 | A HISTORY OF FOREIGN AID | 24 |
| 2.2.1 | The Marshall Plan and its legacy..... | 24 |
| 2.2.2 | The Evolution of Aid: 1950s to 1980s..... | 31 |
| 2.3 | JAPAN AS FOREIGN AID DONOR: A BACKGROUND | 36 |
| 2.4 | JAPAN'S RELATIONSHIP WITH THE SOUTH PACIFIC: A BRIEF HISTORY | 39 |
| 2.5 | AUSTRALIAN FOREIGN AID: A BACKGROUND | 41 |
| 2.6 | AUSTRALIA AND THE SOUTH PACIFIC: A BACKGROUND | 44 |

CHAPTER THREE: AUSTRALIAN FOREIGN AID TO THE SOUTH PACIFIC DURING THE COLD WAR

| | | |
|-----|--|----|
| 3.1 | INTRODUCTION..... | 49 |
| 3.2 | COMMERCIAL MOTIVATIONS | 50 |
| 3.3 | SECURITY MOTIVATIONS..... | 58 |
| 3.4 | AUSTRALIA'S INTERNATIONAL REPUTATION AND CONNECTION WITH THE REGION | 69 |
| 3.5 | HUMANITARIAN MOTIVATIONS | 77 |

CHAPTER FOUR: JAPANESE FOREIGN AID TO THE SOUTH PACIFIC DURING THE COLD WAR

| | | |
|-------|--|-----|
| 4.1 | INTRODUCTION..... | 81 |
| 4.2 | COMMERCIAL MOTIVATIONS | 82 |
| 4.2.1 | Japan's Demand for Marine Resources and Fisheries Grant Aid..... | 82 |
| 4.2.2 | Aid and Private Investment..... | 89 |
| 4.2.3 | Aid and Land-based Resources | 90 |
| 4.3 | SECURITY MOTIVATIONS..... | 94 |
| 4.3.1 | 'Comprehensive Security' and Aid's role within it..... | 94 |
| 4.3.2 | The Kiribati-Soviet Union Fishing Agreement, 1985 | 98 |
| 4.3.3 | The Kuranari Doctrine | 102 |

| | | |
|-----|---------------------------------------|-----|
| 4.4 | JAPAN'S INTERNATIONAL REPUTATION..... | 105 |
| 4.5 | CONNECTION TO REGION..... | 108 |
| 4.6 | HUMANITARIAN MOTIVATIONS | 110 |

CHAPTER FIVE: JAPANESE AND AUSTRALIAN FOREIGN AID IN THE POST-COLD WAR ERA

| | | |
|-------|---|-----|
| 5.1 | INTRODUCTION..... | 114 |
| 5.2 | JAPANESE COMMERCIAL MOTIVATIONS..... | 115 |
| 5.2.1 | Fisheries Grant Aid..... | 115 |
| 5.2.2 | Land-based Resources | 119 |
| 5.3 | STRATEGIC MOTIVATIONS | 120 |
| 5.4 | JAPAN'S INTERNATIONAL REPUTATION..... | 121 |
| 5.5 | EFFORTS TO CREATE A MORE FAVOURABLE IMAGE OF JAPAN WITHIN THE REGION | 123 |
| 5.6 | AID FOR VOTES..... | 124 |
| 5.7 | THE TOKYO SUMMIT: AN ASSESSMENT..... | 126 |
| 5.8 | PALM 2000 AND BEYOND..... | 129 |
| 5.9 | A CONCERN WITH REFORM AND EFFICIENCY: A NEW AGENDA | 135 |
| 5.10 | THE SIMON'S REPORT AND THE QUEST FOR INCREASED SELF-RELIANCE..... | 139 |
| 5.11 | AUSTRALIA'S INTERNATIONAL REPUTATION..... | 142 |
| 5.12 | COMMERCIAL MOTIVATIONS | 143 |
| 5.13 | SECURITY MOTIVATIONS..... | 144 |
| 5.14 | HUMANITARIAN MOTIVATIONS | 147 |
| 5.15 | 2000 AND BEYOND | 148 |

CHAPTER SIX: COMPARISON AND CONCLUSION

| | | |
|-----|--|-----|
| 6.1 | INTRODUCTION..... | 151 |
| 6.2 | HUMANITARIAN MOTIVATIONS AND EACH DONOR'S DEVELOPMENT PHILOSOPHY | 152 |
| 6.3 | THE SECURITY DIMENSION, REGIONAL AFFINITY AND INTERNATIONAL REPUTATION..... | 156 |
| 6.4 | COMMERCIAL MOTIVATIONS | 157 |
| 6.5 | THE RELATIVE WEIGHT OF EACH CATEGORY..... | 159 |
| 6.6 | A CLOSER EXAMINATION OF THE AID PROGRAMMES | 160 |
| 6.7 | THE RESPECTIVE ODA ADMINISTRATIONS | 164 |
| 6.8 | AID CONDITIONALITY AND THE MULTILATERAL/ BILATERAL RATIO | 165 |
| 6.9 | IMPLICATIONS FOR FUTURE RESEARCH ON AID IN THE SOUTH PACIFIC | 167 |

| | |
|---------------------------|------------|
| BIBLIOGRAPHY | 170 |
|---------------------------|------------|

LIST OF TABLES

TABLE

| | | |
|---|---|-----|
| 1 | Country Programmes to the South Pacific, 1984 – 1985 to 1988 – 1989 | 54 |
| 2 | Japanese Trade with Papua New Guinea and Solomon Islands, 1980 – 1994..... | 91 |
| 3 | Japanese Grant Aid to Pacific Island Countries, 1988 – 1994..... | 104 |
| 4 | Japan's ODA Disbursement to the South Pacific 1986 – 1997..... | 115 |
| 5 | Aid by Major Purposes, 1998 | 153 |
| 6 | Australian and Japanese Aid to the South Pacific in the Post Cold War era..... | 161 |
| 7 | Major Recipients of Australian and Japanese Bilateral Aid..... | 162 |
| 8 | Total ODA Expenditure, Selected Years (\$US m)..... | 163 |

ABSTRACT:

Foreign aid has become, since the end of World War II, a powerful and cost-effective foreign policy tool for developed states in their relations with Third World nations. In the context of the South Pacific, Australia and Japan, the region's two largest donors, increased their aid commitments during the 1970s. This was a time of rapid change in the region, characterised by decolonisation and the subsequent arrival of the Cold War. The impact of the latter on aid policy was profound. Both donors, as members of the Western Alliance, increased their aid volumes to the region to counter the perceived threat posed by Soviet inroads. The period between 1976, a time of significant change in the region, and the present day is examined to take into account the influence that the Cold War and its aftermath had on aid patterns.

The aid patterns and policies of Japan and Australia are looked at individually during the Cold War period and beyond. A comparison of the two donors follows, which shows the similarities and differences as well as the changes and continuities in their approaches to the region, and the extent to which they have evolved over time. While the thesis is guided by two of only a few comparative analyses of aid donor ambitions, an attempt is made to develop a basis for comparison that takes into account the unique nature of the South Pacific. It is argued throughout that commercial, humanitarian and security dimensions, in addition to the desire to be seen as good international citizens, and a sense of identity with the region, were key determinants of each donor's aid philosophy.

ACKNOWLEDGEMENTS

The duration of this thesis has brought with it many positives. A number of enduring friendships will doubtless follow my exit from the 'halls of academia' and entry into the 'real world' and whatever it holds for me. I should, therefore, take the opportunity afforded to me now, in writing, to thank a number of these people.

Firstly, to my fellow students who have arrived and departed over the last few years, I thank you for your assistance and friendship. In particular, Ripa Silipa, who spent many a long night here with me at the 'business end' of the thesis –*manuia*– and I hope I can repay the favour. To Rachaelle Barclay, sitting here as I write this frantically lending much needed assistance – cheers – and I thank the both of you for the great nights out we have shared. To my former roommate, Moana Matthes, our year together in 1997 was particularly memorable, as has been your support since. To my new roommate, Rebecca Coutts: thanks for the many fascinating (though ultimately time-wasting) conversations; I hope they will continue.

To the staff of the Macmillan Brown Centre for Pacific Studies, thanks for making my time there a pleasurable one. The tireless assistance of our Administrative Assistant, Kate Scott, has always been appreciated. To the Director, and supervisor of this thesis, Dr Ueantabo Neemia-Mackenzie, I say thanks again for your friendship, advice and the barbeques.

The proof-reading provided by my mother, Pamela, over these last few weeks has proved invaluable and a great time-saver; so, too, has been the free-lodgings! I should take this opportunity to thank my late father, Thomas, who never lived to see this thesis completed. He would have been particularly proud, and so I dedicate this thesis to you.

B.J.C.

CHAPTER ONE:
INTRODUCTION

1.1 NATURE AND SCOPE:

This thesis compares the foreign aid of Japan and Australia to the countries of the South Pacific, from the mid 1970s to the present, a time of widespread change in the region. The starting point marks the beginnings of Japanese and the increase in Australian ODA volumes, following the attainment of independence by a number of former colonies. Looked at historically, the South Pacific can be placed in the second wave of independence and self-determination which began in the 1960s, inspired by the resolve of the United Nations to give the right of 'countries' and 'peoples' to self-determination.¹ It is not the intention of this thesis to outline a detailed history of decolonisation in the South Pacific which began in 1962 with Western Samoa, as this has already been given more than adequate attention by scholars². With independence came the end of the purse strings of the former coloniser, which meant aid

¹ Two significant United Nations Resolutions from 1960 helped shape the decolonisation process in the South Pacific. These were Resolution 1514, the so-called "anti-colonisation resolution" which gave the right to 'countries' and 'peoples' to have self-determination and Resolution 54(15) which defined these different forms of self-determinations as 1) Free Association, 2) Integration, and 3) Independence, and it was the free choice of the people concerned as to which form they opted for. Significantly, the 'size criteria' for independence was eliminated, thus allowing for the small islands of the South Pacific to move towards independence.

² For a more detailed examination of the independence of the South Pacific Island states, see, for example, P. Larmour, "The Decolonisation of the Pacific Islands", in R. Crocombe et al, Foreign Forces in Pacific Politics, Suva: Institute of Pacific Studies, University of the South Pacific, 1983 (Politics in the Pacific Islands, vol. 4) and Y. Ghai, "Reflections on Self-Determination in the South Pacific" in D. Clark and R. Williamson (eds), Self-Determination: International Perspectives, New York: St Martin's Press, Inc, 1996

flows from elsewhere became a fact of life for the newly-independent Pacific Island states.

Perhaps more importantly, however, independence captured the attention of powers outside the region, particularly the Soviet Union. Colonial rulers had kept the nation very much an 'American lake' as the Cold War was waged elsewhere on the globe. Independence, however, meant the island states could conduct their own foreign policy:

Many of the positions they adopted were not to the liking of conservative Western capitals, whether 'flirting' with the Soviet Union through fishing deals or hostility to the presence of nuclear ships in the region. The fact of independence as a political condition in the region concentrated the minds of the great powers, some of which sought to exploit strategic windows of opportunity for themselves or to outflank rivals and enemies.³

As the last major geographic region to be colonised, and thus the last to be affected by the Cold War, the South Pacific acquired a strategic importance and economic value which enormously increased the political clout of the region.⁴ Preventing the Soviets encroaching into the region during the Cold War required a resolve on the part of the West to pay closer attention to the region. Instability in the form of a military coup in Fiji, political instability

³ J. Dalton "The South Pacific in the post-Cold War world: old friends or new allies or alliances?" A paper presented at the Society for Military History Meeting held at the Royal Military College, Kingston, Ontario, Canada, 20-23 May 1993, p1

⁴ The creation of enormous Exclusive Economic Zones in the region after 1977 in which huge supplies of tuna and other marine resources were located meant that a region so small in land area had almost overnight acquired a new and greatly enhanced economic value. The start of Japan's aid to the region is largely attributable to the creation of these zones.

in Vanuatu, the breakdown of law and order in Papua New Guinea and political protest and violence in New Caledonia, it was believed, made the Soviet Union's task considerably easier.

The interventionist nature of the Cold War resulted in increased diplomatic attention and foreign aid for the region. Australia and New Zealand, who had previously been relied on to protect the Western interests in the region, could no longer do so. Significantly, Australian ODA to the South Pacific was increased noticeably after 1976, as will be shown, the same year that the Soviet Union attempted to establish diplomatic relations with key members of the region. Japan, like Australia, was to be heavily influenced by the Cold War in its aid programme to the region, though not until the mid 1980s when pressured to do so by the United States. In Japan's case, a predominantly commercially-motivated aid relationship with the region gave way to one founded on a range of interests, encapsulated in its own concept of 'comprehensive security'.

In 1989, the massive changes in Eastern Europe that followed the fall of the Berlin Wall signalled the end of the Cold War. The West had 'won', yet contrary to the expectations of many, foreign aid outlasted the cessation of East-West rivalry. Despite cutbacks in many bilateral aid programs, particularly those of the United States, annual aid flows as monitored by the Organization for

Economic Cooperation and Development (OECD) have maintained a consistent level.

The changing natures of the aid regimes of Japan and Australia in the aftermath of the Cold War, like those of other donors, need closer examination, and this period of transition is covered in this thesis. Without such a powerful motivation as keeping the South Pacific free of the Kremlin, the strategic importance of aid has declined significantly. Both donors, however, continued as the region's largest sources of ODA. What this suggests is that wide-ranging and often inter-related foreign policy objectives remain at the core of Japan's and Australia's aid philosophies. The international reputations of both, pressure from former regional donors, especially the United States, commercial and security considerations, and of course humanitarianism, among others, are still at the forefront of policymakers' thinking in both donor nations. The future direction of Australian and Japanese aid to the region, however, is by no means certain.

In brief, this study seeks to answer the following questions:

- 1) What are the motivations behind Japanese and Australian foreign aid to the South Pacific?
- 2) How and why have the Japanese and Australian foreign aid programmes to the South Pacific evolved since 1977 to 1989?

3) What impact did the end of the Cold War have on the Japanese and Australian foreign aid programmes to the South Pacific?

4) What are the similarities and differences between the two donors' aid programmes, and how did the Cold War affect them?

It is important to note that these are broad questions and not hypotheses. Equal weight has not been attached to each.

Several additional points need to be raised about the nature of this thesis. Secondary sources were relied on more heavily for the Japanese component than they were in the discussion of Australian aid because many key Japanese reports are not available in English. In the interests of originality, an attempt was made to balance this by heavily utilising primary sources relating to Australian aid, particularly those governmental reviews which outline the motivations behind its aid programme. These were supplemented where applicable by relevant secondary sources.

It must also be stressed that the scope of this thesis will be limited to only certain aspects of the aid programmes of Australia and Japan. So much has been written by scholars and the relevant government departments of each donor, that a full investigation of their aid delivery would be impossible. The emphasis is on the motivations behind aid. The recipient side of the equation has

received much attention already, and was, therefore, omitted from this thesis. Similarly, this is not an attempt to assess the strengths or weaknesses of each programme. The individual aid relationships with Pacific Island states have not been given close attention, except for when they highlight an integral aspect of the broader policy initiatives of each donor. Indeed, it is these broader policy initiatives which have been focused on. Of the multitude of statistics which relate to the nature of aid relationships between donor and recipient, only those which reinforce a point will be used. In short, therefore, the nature of individual donor-recipient aid relationships, and specific programmes or projects within them, while not neglected, have been relegated as secondary to the objectives of the thesis, and have been largely used to illustrate an integral point.

1.2 THEORETICAL CONSIDERATIONS

1.2.1 Theories of Foreign Aid:

There are three general bodies of International Relations theory that attempt to understand donor motivations, with little consensus between them.⁵ The first, and most dominant, is the Realist paradigm. Realist scholars assume that aid policies are

⁵ This summary of the three bodies comes from P.J. Schreder, S.W. Hook, and B. Taylor, "Clarifying the Foreign Aid puzzle: A comparison of American, Japanese, French and Swedish Aid Flows, *World Politics* Volume 50, 1988, pp.297-299

driven, first and foremost, by strategic interests, with national security and self-preservation being the major objective. Not surprisingly then, humanitarian needs and economic development are seen as secondary. There are two Realist schools,⁶ with differing conceptions of what 'security' entails. Classical Realists see that aid priorities are motivated by the politico-military strategic importance of recipient states, in the form of military alliances. Neorealists, on the other hand, acknowledge the commercial dimension of national security, with the economic potential of the recipient state providing the impetus for aid priorities.

The second body of International Relations theory relating to aid is the Idealist paradigm.⁷ Idealists see aid as a positive, and are particularly optimistic about aid's ability to further the economic development of the donor as well as the recipient, and its potential to end Third World poverty. They see that humanitarian concerns dominated aid motivations, and see aid as a source of cooperation between donor and recipient, not a cause of conflict. In this respect, and in nearly all as they relate to aid, Idealists and Realists are poles apart.

⁶ For more on the classical realist perspective, see N. Eberstadt, Foreign Aid and American Purpose, Washington D.C.: American Enterprise Institute, 1988. For an example of the neo-realist stance, see R. Gilpin, The Political Economy of International Relations, Princeton: Princeton University Press, 1987

⁷ See, for example, D.H. Lumsdaine, Moral Vision in International Politics: The Foreign Aid Regime, 1949-1989, Princeton: Princeton university Press, 1993

Neo-Marxism, the third paradigm, considers economic motives to be central to aid donor motives. It is a wide-ranging paradigm, and from dependency to world systems to classical Marxism, is based on the premise that capitalist exploitation, in the form of aid, enhances the power of elites in both the industrialised and developed nations. Moreover, aid is seen as widening the existing economic disparities between wealthy states and Third World countries.

While it can be argued that each body of theory has its strengths, it was decided that this thesis should not be guided by any of them in particular. An assessment of the aid programmes of Japan and Australia without examining the situation from any one perspective was deemed more appropriate. As will be shown, a separate theory drawing on the best elements of each was formulated, and will be discussed below.

1.2.2 Comparative studies of Aid Donors:

It is necessary, at the outset, to examine the existing scholarly literature relating to the theory of foreign aid. By doing so, the contribution this thesis makes to an understanding of foreign aid motivations in the South Pacific context can be outlined. The first point that needs to be stated is that there has been a paucity of

comparative and systematic studies of aid donors, despite the enormous body of scholarly literature that has been devoted to foreign aid. Many examinations of individual aid donors to the region have been made in recent years, yet comparative studies of aid donors are rare internationally, and especially so in the setting of the South Pacific.

In many respects, it seemed logical to examine the two largest donors to the region, because of the availability of data relating to both. Additionally, because they are the largest donors, it is reasonable to assume that their ranges of interests were many and varied, and as such, the motivations behind their respective aid programmes would be more than suitable for a comparative analysis.

There were, however, further considerations behind the selection of Australia and Japan. Japan, as a donor, did not become involved in the region until the late 1970s, and initially on a small scale. In the ensuing 25 years, however, its aid grew almost exponentially. In many respects, Japan provides a contrast to Australia, as the latter has longstanding influence in the region, with a range of historical ties which account for this. In a sense, Japan is an 'outsider' to the region, though it did have an involvement in the region dating back several centuries. In other words, there is sufficient similarity between the two donors, despite their differences, to merit a comparative analysis.

Comparative studies of aid donors, though rare, were examined, and one in particular was heavily influential: the collaborative work of Peter J. Schraeder, Steven W. Hook, and Bruce Taylor.⁸ It is profitable, therefore, to examine what it is that they have to say about previous aid scholarship. For them, “the ongoing debate over the foreign aid regime remains trapped in something of an intellectual vacuum given the lack of scholarly understanding of the *determinants* of foreign aid programs.”⁹ Normative critiques of aid are numerous, yet critical analysis based on comprehensive empirical evidence is scarce. Moreover, they argue that the empirically based scholarship that exists has been confined to individual case studies, or has been limited to the *recipient side* of the aid equation, most notably in terms of examining the relationship between economic dependence and political compliance within developing states. As for the donor side

⁸ Schraeder, Hook and Taylor’s empirical analysis is of the motivating factors behind the aid policies of four northern industrialised democracies, all major aid donors, France, Japan, Sweden and the United States, in an African context. They chose Africa as the target of assistance because of its large number and diversity of countries, as well as a desire to control potential subsystem differences within the various regions of the Third World. They used an inductive approach that tests for a variety of foreign aid determinants to review the volume and direction of the aid flows and the empirically grounded linkages between the foreign policy interests of these donors and their observable behaviour in disbursing foreign aid are examined. The 1980s is their starting point because that decade serves as a unique ‘hinge’ period between the cold war and the transformed international environment of the 1990s. However, the end point of their study is 1989, the historic year that marked the fall of the Berlin Wall and the beginning of the end of communism, to ensure that the results are not confounded by changes within the international system that accompanied the end of the cold war.

P.J. Schraeder, S.W. Hook, and B. Taylor, “Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French and Swedish Aid Flows”, *World Politics* 50, January 1998

⁹ Schraeder *et al*, pp.295-297

of the equation, there have been very few systematic and comparative analyses.¹⁰

Schraeder, Hook and Taylor concede that self-interest as a factor in aid calculations by donors is axiomatic in the scholarly literature, although they believe that exactly which interests come into play is a question rarely fully addressed.¹¹ The case study oriented literature that seeks to explain the motivations of aid donors is largely descriptive, and this further compounds a clear understanding of donor-interests.

Both qualitative and empirical studies of aid donors have their shortcomings. The former relies too heavily on the case study approach which hinders generalisation across the field of donor countries. Often these studies are unique and noncomparable.¹² Empirical research is equally problematic. One difficulty is that the majority of statistical analyses have been confined to individual case studies, so that, like qualitative research, such studies prevent generalisation of donor countries.¹³ Even statistical examinations that focus on several cases fail to capture the most important dimensions of the aid relationship cited within the qualitatively

¹⁰ Ibid. pp.295-296

¹¹ Schraede *et al*, p.296

¹² Ibid. p.301

¹³ Ibid. p.301

oriented case study literature, for example, region, culture and ideology.¹⁴

The end result of the shortcomings of the aid debate has been that a number of key questions have not been fully answered. These include: which motivating factors have been of greatest importance in the formulation and implementations of aid policies? Did foreign aid policies differ with the specific interests of the particular donor country, or is it possible to distinguish cross-national trends? How do the aid disbursements of donors compare? Were ostensible cold war factors, such as the strategic importance of recipient countries, the primary driving forces of these policies, or were other factors, such as economic gain or culture, salient even during the cold war?¹⁵ To a large degree, this thesis seeks to provide answers to these questions drawn from the context of the South Pacific.

In essence, therefore, Schraeder, Hook and Taylor's study is an attempt to:

...bridge the gap between the quantitatively oriented researcher who seeks to uncover cross-national trends that often blur country-specific distinctions and the regional specialist who often seeks qualitative knowledge of a particular country at the expense of empirical tests that are generalizable to other countries and regions¹⁶

¹⁴ Ibid. p.301

¹⁵ Schraeder *et al*, p.295

¹⁶ Ibid. p.297

To achieve this, their study draws upon two groups of variables. One set – humanitarian need, strategic importance, and economic potential – is traditionally employed in the empirical foreign aid literature; the second set incorporates three additional variables – cultural similarity, ideological stance and region – recognised by regional specialists as important to a comprehensive understanding of the international interactions between donors and recipients.¹⁷ In short, the general empirical and the more regional-focused case-study literatures are joined together to offer a comprehensive qualitative and quantitative analysis of foreign aid interactions between the donors and recipients.¹⁸

In many respects, the theory of Schraeder *et al* is guilty of what it sees as wrong with other studies: the results are too general. Of the six key pieces to the aid puzzle that they present, some are of little use in a comparison of Japanese and Australian aid.¹⁹ Yet others proved very useful. ‘Region’, for instance, is particularly useful. They argue that:

...regional identification plays a potentially important role as a determinant of aid flows. It is clear that if

¹⁷ Schraeder *et al*, p297

¹⁸ Ibid. p297

¹⁹ For example, one of the key tests for ‘humanitarian need’ is average daily caloric intake. This is hardly appropriate in the South Pacific, with its abundance of food resources available to all. Importantly, too, such statistics about the region probably do not exist. ‘Cultural similarity’ between donor and recipients clearly is not relevant. It is argued that France, for instance, will give aid in Africa only to French speaking nations, and thus a connection between aid and cultural similarity is made, and even in their own study, such a category only applied to France.

several countries comprise a natural collective – because of shared geographical features, historical ties, or a common religion – they are more likely to trade and share security interests with one another than with countries outside of their general region.²⁰

Culture, in its broadest sense, and even convenience are included under 'region'. A key consequence of affinity with a region, they add, is aid relations. 'Ideological stance' is based on the belief that capitalist countries favour capitalist recipients, not Marxist and socialist, and vice versa.²¹ This argument could be adapted to suit the region on the basis that aid did have an ideological justification during the Cold War. Japanese increased aid to Kiribati following its fishing agreement with the Soviet Union in 1985 did, to some extent, have an ideological basis of sorts– preventing Kiribati from increasing its links with the Kremlin.

'Economic potential' is a particularly helpful category. Foreign aid is often justified by policymakers in terms of its potential contribution to donors' economies, in terms of promoting trade and investment. Schraeder *et al* argue that recipients with the most powerful economies or most natural resources would be favoured by donors.²² 'Strategic importance' is equally useful. It is widely believed, though rarely acknowledged by policymakers that

²⁰ Schraeder *et al*, p306

²¹ Schraeder *et al*, p.306

aid is a powerful tool for enhancing the security interests of the donor. The recipient's strategic importance, therefore, is central to an understanding of aid relations, though the variables used to operationalise the nexus between aid and security are hardly applicable.²³

Schraeder *et al* do provide an interesting theory which has guided this study. It was necessary, however, to look for further studies to build a theoretical framework. Other systematic and comparative analyses of aid donors do exist, but there are very few of them. Several others were assessed as part of this thesis. Steven W. Hook had written an earlier and lengthier work before combining with Schraeder and Taylor.²⁴ Indeed, it could be argued that the most favourable elements of Hook's own work are to be found in Schraeder *et al*, so no further comment is necessary here. Another key comparative was a 1979 study by R. D. McKinley.²⁵

McKinley developed the first systematic foreign policy model of aid because he believed that humanitarian considerations did not

²² Ibid. p.304-305

²³ Schraeder *et al* look at such factors as the percentage of GNP spent on the military and the percentage of the recipient country's population that form part of the military. The small economies and populations of the Pacific Island states mean that such criteria is not a good gauge of the strategic importance of recipient nations for the purposes of this study. p.304

²⁴ S.W. Hook, National Interest and Foreign Aid, Boulder: Lynne Reiner, 1995

²⁵ R.D. McKinley, "The Aid Relationship: A Foreign Policy Model and Interpretation of the Distributions of Official Bilateral Economic Aid of the United States, the United Kingdom, France, and Germany, 1960-1970" Comparative Political Studies, Vol. 11, No. 4, January 1979, pp411-463

provide an adequate explanation of the motivations of aid donors. For him, then, a foreign policy view of the aid relationship, in which aid serves as a mechanism for the donor's pursuit of its own foreign policy interests, was far more accurate.²⁶ He examined the extent of donor commitments to recipients, and looked at the degree of dependence that resulted from their aid relationship. He took from the general aid literature five categories of donor interest, and applied them to his model. Briefly, these can be summarised as (1) trading interest, (2) security interest, (3) power political interests, (4) development and performance interests, and (5) political stability and democracy interests.²⁷

It must be pointed out, however, that the criteria he proposed to measure each category is not well suited to a study of the South Pacific.²⁸ In addition, the range of statistics necessary to measure each is not available for the purposes of this study. Nevertheless, he does raise a number of interesting arguments. Trading interests,

²⁶ McKinley, "The Aid Relationship", pp412-413

²⁷ McKinley, "The Aid Relationship", p415

²⁸ For example, the category of 'power political interest' relates to the military capabilities of the recipient and consequently its threat to the international balance of power, which is not relevant to the South Pacific. Similarly, 'political stability and democracy interests' drew on variables including the number of political parties banned, the percentage of the population who were members of these parties, the number of military coups and the period under military rule, which would only be applicable to Fiji if applied to the region. In addition, 'trading interests' are assessed in light of the extent to which the resources of the recipient acquired through trade contributed to the economic growth of the donor. Clearly, McKinley's point here relates to recipient nations with larger economies than those found in the South Pacific. Papua New Guinea would be the only South Pacific nation that contributes to significant economic growth for Australia, its largest aid donor. McKinley, pp.412-415

McKinley points out, are an important motivation behind aid because low-income recipient countries provide the donor with certain essential commodities, and that is applicable to Japan and its need for fish.

His rationale for the 'development and performance interests' category is based on the premise that economic development and stability provide the basis from which other donor interests may develop, such as trade or investment. For him, economic stability is an antecedent condition of political stability.²⁹ With regard to 'political stability and democracy interests', McKinley argues that the promotion of liberal democracy provides the most enduring safeguard to Western security, and that, alternatively, Western interests may be threatened by politically unstable regimes.³⁰ 'Security interests' related to contact with the Communist Bloc, which certainly motivated Australia and Japan in their aid relationships with the region.

While there were difficulties with McKinley's empirically-oriented theory, a degree of adaptation can make his categories applicable to the South Pacific context. Schraeder et al do build on what McKinley started, with the incorporation of many of the best features of his theory. Interestingly, however, McKinley paid closer

²⁹ McKinley, pp.415-418

³⁰ Ibid. p.417

attention to the concept that the creation and maintenance of political stability was a significant basis behind the programmes of aid donors.

It can be seen, then, that three leading systematic and comparative analyses of the motivations of aid donors were assessed, and the most compelling features of each were influential in this thesis. Because of the difficulty of obtaining the variety of statistics that these studies are based on, it was decided that a more qualitative-based thesis would be suitable. Nevertheless, an attempt was made to incorporate the initiative taken by Schraeder *et al* to 'bridge the gap' between quantitative and qualitative research.

Because of the degree of complementarity of the three studies, it was possible to combine the best features of each. The importance of 'economic potential' and 'trading interests' were incorporated into a category called 'commercial motivations; 'security interest', 'strategic importance' and 'political stability and democracy interests' were combined into a broad category entitled 'security motivation'; and the concept of 'region' and 'humanitarian' motivations espoused by Schraeder *et al* have also been utilised. Finally, a separate category which examines the sense of duty and the role the international community played in influencing Australia and Japan to step up its efforts in the South Pacific has been

included. It is not drawn from any of these studies, but is necessary if aid to the region is to be understood.

1.2.3 Definitions:

Cold War: The ideological conflict between the USSR and its Communist Bloc in the 'East' and the USA and its capitalist allies in the 'West', began after World War II and effectively came to an end with the fall of the Berlin Wall in 1989.

Foreign Aid: The Development Assistance Committee of the OECD adopted the 1969 "Recommendations on Financial Terms and Conditions" which defined ODA as:

Official Development Assistance is defined as those flows to developing countries and multilateral institutions provided by official agencies, including state and local governments, or by their executive agencies, each transaction of which meets the following test:

- a) it is administered with the promotion of the economic development and welfare of developing countries as its main objective, and
- b) it is concessional in character and contains a grant element of at least 25 per cent.

ODA focuses on development assistance and includes humanitarian assistance, current economic assistance, emergency relief, and food aid.

ODA should not be confused with 'foreign capital inflows' which are commercial flows of private capital. It does not include military aid.

ODA is either 'bilateral', that is, from government to government, or 'multilateral'. The latter takes the form of donor government contributions to international agencies (e.g. United Nations Development Program) or institutions like the major development banks (e.g. World Bank, Asian Development Bank) which are specialised in aid delivery.³¹

For the purposes of this study, ODA, aid, foreign aid and economic assistance are used interchangeably.

South Pacific: The South Pacific is comprised of the small island countries in the southern and central Pacific region, though some are found above the equator. Generally, however, the South Pacific Commission's definition of the region is widely acknowledged. In all, 22 countries make up the South Pacific: American Samoa, Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Nauru, New Caledonia, Niue, Northern Mariana Islands, Palau, Papua New

³¹ R. Gounder, Overseas aid motivations: the economics of Australia's bilateral aid, Aldershot: Avebury Publishing Limited, 1995

CHAPTER TWO:
FOREIGN AID AND THE DONORS

Guinea, Pitcairn, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, Wallis and Futuna.

It is important to note that when analysing Australian aid to the region, the 'South Pacific' does not include Papua New Guinea. Papua New Guinea and the 'South Pacific' are treated as separate parts of Australia's aid programme.

South Pacific and 'region' are used interchangeably.

1.3 OUTLINE:

Chapter Two sets the international context in which the aid programmes of Japan and Australia need to be understood. It provides a brief history of foreign aid, beginning with the Marshall Plan in 1948, and covering the period up until the 1980s. It examines the major developments in the evolution of foreign aid in this period, and ends by discussing the origins of the aid programmes of each donor and their involvement in the region prior to the 1970s.

Chapter Three is devoted exclusively to Australian ODA to the South Pacific. It traces the origins and changing nature of Australia's aid to the region, with particular emphasis on the Cold War period found in a number of official reports. Commercial and security motivations, Australian's international reputation and duty,

its sense of belonging to the region and humanitarian considerations are examined to gain an understanding of the complexity of Australia's aid philosophy of the time.

Chapter Four, similarly, will focus on the aid programme of one donor, in this case, Japan. The same categories are used to discover the range of principles that guided Japan's aid during the Cold War.

Chapter Five is devoted to accounting for changes in Japanese and Australian aid to the region in the post-Cold War period and discussing the future directions that both programmes may take.

The comparative examination, or Chapter Six, begins with a discussion of criteria for comparison, with particular reference to the model provided by Schraeder, Hook and Taylor and McKinley. The continuities and changes of each donor's programmes in the cold war era and its aftermath are then discussed with reference to the categories provided in Chapters Three and Four. Chapter Six also includes a conclusion in the form of a discussion of the questions raised in the introduction.

2.1 INTRODUCTION:

Foreign aid is not a recent phenomenon.¹ Foreign aid, however, in its 'modern' guise, has its origins in the Marshall Plan. Officially known as the European Recovery Program, the Marshall Plan dispensed over \$13 billion between 1948 and 1952 to Western European countries.² The significance of the Marshall Plan lies in the fact that it signalled the beginning of a major trend which saw aid evolve over the following decades into the cornerstone of developed nations' foreign policy. The origins and development of Japan and Australia as aid donors, therefore, must be understood in this context. As such, it is necessary to provide a brief account of the Marshall Plan and the major trends in aid patterns between the 1950s and the 1970s.

An examination of Australian and Japanese involvement within the region is necessary to illustrate that their aid programmes were in many ways a logical outcome of their affinity with the South Pacific. Both donors were to establish aid regimes that were to see ODA delivered to the four corners of the globe, not just the South

¹ The United States, for example, could be considered an aid donor as long ago as 1838. For more on the subject, see J. Stephen Hoadley, "Aid and National Security: The Politics of New Zealand's Development Assistance", in E. Olssen and W. Webb (eds), New Zealand, Foreign Policy and Defence, Foreign Policy School, University of Otago, 1977, p.145

² R.E. Wood, From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy, Berkeley: University of California Press, 1986, p.29

Pacific. The myriad of reasons why Australia significantly increased its aid programme to the region in the mid 1970s and Japan became a donor to the South Pacific at approximately the same time will be the focus of chapters three and four, respectively. It is essential, however, that each donor's evolving aid regimes be examined in order to provide the necessary background for these chapters.

2.2 A HISTORY OF FOREIGN AID:

2.2.1 The Marshall Plan and its legacy:

The Marshall Plan was the brainchild of United States' policy-makers, not the leaders of a decimated Europe, who held visions extending beyond European recovery to the creation of a new international order. During the war, both the United States' public and government officials feared a post-war depression in Europe, as it would inevitably have adverse economic repercussions for the United States. As a consequence, finding a way to maintain a high level of United States' exports, through European economic recovery was portrayed as the best way of avoiding a depression. The post-war dollar shortage, combined with the perceived inadequacy of international institutions such as the World Bank and the International Monetary Fund to finance export-led recovery and

reconstruction, meant that a 'gift' of money was seen as the best means of preventing a global economic downturn.

The Marshall Plan envisaged economic reform in Europe as a key means of protecting the United States' economy by the creation of a new international order. From the outset of World War II, policy-makers from the United States' State Department developed a narrow economic interpretation of the causes of the war, focusing on the breakdown of the world economy under the dual pressures of the Great Depression and the legacy of World War I. The end result, they believed, was increased controls on international trade and capital movements. The establishment of a multilateral world economy, based on the unobstructed movement of capital and labour, became their highest goal³.

President Truman, in particular, feared that international trade and investment would be seriously affected by restrictions and controls that the recovering European countries would implement. As a consequence, he set about creating an open world economy, as recent scholars have suggested, based on multilateral capitalism⁴.

³ R.E. Wood, p.34

⁴ See, for example, J. Kolko and G. Kolko, The Limits of Power: The World and United States Foreign Policy, 1945-1954, New York: Harper and Row, 1972, p367 and M.J. Horgan, "European Integration and the Marshall Plan," in S. Hoffmann and C. Maier (eds), The Marshall Plan: A Retrospective, Boulder: Westview Press, 1984, pp.4-6

‘National capitalism’,⁵ the dominant trend in Western Europe after the war, was an impediment to Truman’s grand vision because of the reduced dependence on foreign trade which characterised it.

The original motives behind the Marshall Plan, then, were economic, but the enabling legislation in the United States’ Congress had to be based heavily on Cold War scare tactics to ensure its successful implementation⁶. Strictly in terms of the concrete economic objectives that motivated it, the Marshall Plan could be considered a failure. What really saved the Marshall Plan’s reputation, however, was the continuation of massive aid to Europe after 1952, the official close of the plan. American aid merely took on a new name, and the bulk of aid came after 1952, so the claim that it completed its task ahead of time and with less money is misleading.⁷ Significantly, however, it came to be popularly labelled as a success, partly through a redefinition of goals. The multilateral goals of the State Department gave way to retrospective political and military goals. According to Wood,

⁵ ‘National capitalism’ is characterised by a high degree of state planning and a number of state-implemented control devices to ensure the creation of full employment. They include: exchange controls, capital controls, bilateral and state trading arrangements. For more detail, see R.E. Wood, p.38

⁶ Wood doubts the claims by many historians that the Marshall Plan served, as its main objective, to weaken the influence of the Left in European politics, particularly in Italy, by bringing about an economic recovery that would boost the conservative parties. For him, the Left in Europe was already weak after the ravages of war. For more, see R.E. Wood, pp.36-38.

⁷ Ibid, p.63

At the end of the Marshall Plan, conservative social forces had retained and greatly strengthened their political control in all the Western European countries. European resistance to rearmament had been overcome, and Europe was now militarily organized under U.S. hegemony against the Soviet Union. The historic economic linkages between Western and Eastern Europe had been broken. In the popular mind, the Marshall Plan had prevented Europe from 'going communist'.⁸

While the Marshall Plan was mutually beneficial for the United States and Europe, arguably its greatest legacy was that it set in place the beginning of aid to the Third World, via the Point Four Program of 1949.⁹ The latter came at the behest of Truman, and led to the provision of aid to independent low-income countries becoming firmly established in official United States' foreign policy. A triangular trade model was established, involving the United States, Europe and the Third World territories of Asia, Africa and Latin America. These regions contributed to the success of the Marshall Plan by providing markets for European goods that had formerly existed in Eastern Europe, as well as being an inexpensive source of raw materials.¹⁰

According to Wood, an analysis of the origins, theory and functioning of the Marshall Plan shows that:

⁸ R.E. Wood, p.63

⁹ The Point Four Program provided assistance to low-income countries in particular, Greece and Turkey, because of their location on the edge of the USSR, although economic advantages were perhaps a more dominant justification for the Program.

¹⁰ R.E. Wood, pp.40-42

There is no radical discontinuity between the Marshall Plan and the later aid programs focused more exclusively on the Third World. The Marshall Plan not only shaped the international context within which the aid regime subsequently evolved, but it also created a body of operating principles and procedures that remain an integral part of the aid regime.¹¹

Under the Marshall Plan, the United States' established aid programs in most of the overseas territories of the European colonial powers and in forty independent Third World countries.¹² The choice of aid over other alternatives thus set the stage for the institutionalisation of aid within the world economy after the formal close of the Marshall Plan era in 1952, which heavily influenced all developed countries, including Japan and Australia.¹³

While the South Pacific region was not a direct beneficiary of the Marshall Plan's implementation of foreign investment and aid to the Third World, the plan set in place a momentum that would, in future decades, see the region become one of the world's largest per capita recipients of aid. Australia's aid to Papua New Guinea, for example, can largely be understood because of its former colonial

¹¹ R.E Wood, p.65

¹² Ibid, p.66

¹³ Aid by this time was in a sense 'modern' in comparison with the pre-World War II aid from the likes of Britain and the United States in that it had expanded in scope and volume and become institutionalised and internationalised. S. Hoadley, "Aid and National Security: The politics of New Zealand's Development Assistance", p.146

status.¹⁴ Indeed, the link between aid and decolonisation arguably did not get the attention it deserved from Wood. Decolonisation occurred first in Asia and then in Africa. Former colonial governments, it must be added, wanted to gain the support of their ex-colonies as they were also members of the United Nations and consequently had voting rights. The use of aid as a diplomatic lever for voting support, it can be argued, was at times as important as the maintenance of influence in newly independent countries.¹⁵ The decolonisation of the South Pacific, however, took place much later than in Asia and Africa, but the lessons learnt about the utilisation of aid for a myriad of donor interests should not be under-estimated.

Wood's analysis, as well as neglecting the influence of decolonisation, also failed to highlight the role that modernisation theory played in the evolution of aid. Elaborated after World War II, Modernisation Theory provided one of the major ideological underpinnings of the concept of aid. Modernisation theorists considered that external flows of capital, trade and technology were essential for a nation's development.¹⁶ Development, in its broadest sense, was envisaged as an evolutionary movement from an original

¹⁴ R. Gounder, Overseas aid motivations: the economics of Australia's bilateral aid, Aldershot: Avebury Publishing Limited, 1995, p.3

¹⁵ R. Gounder, p.3

¹⁶ D.E. Apter, "Towards a Theory of Modernization" in F.A. Botchway, (ed.) Modernization: the economic and political transformation of society, Berkeley: McCutche Publishing Corporation, 1970, p.28

state of underdevelopment to an idealised version of modernity, such as Western Europe or the United States.¹⁷ The transformation of agricultural practices, the rapid acceleration of industrialisation and the provision of infrastructure to accompany greater urbanisation, were key aspects of Modernisation Theory which had a significant influence on the aid programmes the world over. Modernisation, however, was not merely economic, and development in its broadest sense, including political development, was envisaged. Restructuring traditional institutions and organisations, and the adoption of ‘modern’ political and social values were deemed necessary for development.

By helping to foster the economic development of newly independent nations, it was believed that increased political stability would follow. This was an important consideration in the Cold War era because:

Poverty was perceived to be fertile ground for communist blandishments. It was believed that tiny inputs of aid at crucial points would jolt the poor nations out of their vicious circles of poverty, enable them to attract and productively use private capital, and set them on the road

¹⁷ W.W Rostow’s seminal work, Stages of Economic Growth, highlighted that all societies evolve through five stages to self-sustaining economic growth: “traditional society with a characteristically low level of technology and productivity; a transitional stage for satisfying the ‘preconditions’ for change; the ‘take off’ stage when structural constraints to industrialization have been removed and an entrepreneurial class has emerged; the drive to maturity when industrialization is well under way and the levels of technological development and productivity are high; and the society of mass consumption where there is general abundance and society has moved beyond basic needs to the consumption of durable goods.” C. Ake, “Development and Underdevelopment” in J. Krieger (ed), The Oxford Companion to Politics of the World, New York: Oxford University Press, 1993, pp.239-243

to economic development, political stability, and international responsibility. It was assumed that these nations would become good customers for Western exports and firm allies of the anti-communist bloc.¹⁸

Foreign aid, therefore, was to be seen as a mechanism by the 1950s that could, relatively inexpensively, fulfil a host of aims. The spectacular recovery of Europe after the war, the beginnings of the Cold War and the trend towards decolonisation after the Second World War signalled the time from which aid came to be established as a cornerstone of Western nations' foreign policy.

2.2.2 The Evolution of Aid: 1950s to 1980s:

Economic assistance to the Third World during the Marshall Plan period, in essence, came almost exclusively from the United States. By the 1980s, however, the aid picture had become enormously more complex. Separate aid programmes were now administered by all sixteen countries of the Development Assistance Committee, by at least eight communist and ten OPEC countries, by approximately twenty multilateral organisations in addition to various components of the United Nations system, by hundreds of private organisations, and aid programs had even been initiated by several Third World Countries.

¹⁸ S. Hoadley, "Aid and National Security: The Politics of New Zealand's Development Assistance", in E. Olssen and W. Webb (eds.) New Zealand, Foreign Policy and Defence, Dunedin: Otago Foreign Policy School, University of Otago, 1977, p.147

The institutional complexity of the contemporary aid regime has, according to Wood, evolved gradually through a process that may be divided into four stages, roughly corresponding to decades.¹⁹ The first of these, the 1950s, was a period which was characterised by the diversification of the foreign aid programmes of the advanced capitalist countries. To a large extent, this intensification of Western economic assistance was due to the advent of Soviet and Chinese aid, though small in relation, which increased the ability of non-aligned countries to press for aid from the West, and forced Western countries to soften the terms of some of their aid. The threat of communist aid led the United States to press the OEEC²⁰ members to initiate or expand their aid programmes. By the end of the decade, most of the advanced capitalist countries were operating full-scale aid programs, and the rest followed suit in the early 1960s. Nevertheless, the United States in 1960 still accounted for over 60 percent of all bilateral aid.²¹ Both Australia and Japan, importantly, began to make contributions towards South and Southeast Asia at this time under the Colombo Plan.

¹⁹ R.E. Wood, p.69

²⁰ The OEEC was the forerunner to the OECD, the Organization for Economic Cooperation and Development, which was reconstituted in 1961 with an expanded membership, including Japan. The DAC, or Development Assistance Committee, of the OECD was a 'donors' club' or sorts, which was influential in the aid policies of its members. Australia joined the latter in 1966.

²¹ R.E. Wood, p.71

Early in the 1950s, the World Council of Churches proposed that one percent of the combined national income of rich countries should be transferred to developing nations. This target was adopted by the United Nations in 1960. The United Nations General Assembly sought to prescribe a framework of growth for developing countries, known as the International Development Strategy, in its 'First Development Decade' programme in the 1960s. Aid, targeted at 1 percent of national income, was expected to play an important role in helping to achieve annual growth rates of 7 percent by developing countries.²²

The 1960s, the second phase, was marked by the emergence of new forms of multilateralism, largely under the auspices of, or modelled after, the World Bank.²³ Bilateral aid from the advanced capitalist countries constituting the DAC remained the largest single form of external financing through the 1960s, but its share of the total declined from 54.2 percent in 1960 to 37.9 percent in 1970.²⁴ Many new multilateral institutions emerged in this period. The decade of the 1960s also saw the reorganisation of many bilateral aid programmes, reflecting both the increase in their number and a

²² For a fuller discussion of the evolution of thought on the GDP/Aid ratio, see R. Gounder, Overseas Aid Motivations: the economics of Australia's bilateral aid, Aldershot: Avebury Publishing Limited, 1995, pp.2-28

²³ Ibid, p.69

²⁴ R.E Wood, p.72

redefinition between military and economic aid, with a gradual shift towards the latter.²⁵ Multilateral institutions more than doubled their share of total flows between 1960 and 1970, but official financing during the 1960s was still dominated by the bilateral programmes of the advanced capitalist countries. Between 1960 and 1970, multilateral aid was equivalent only to 15 percent of DAC bilateral aid. In 1970, however, World Bank loan commitments surpassed grants and loans from USAID, the United States' aid agency, hitherto the world's largest aid institution.

At the end of the 1960s, Robert McNamara, the newly appointed President of the World Bank, commissioned Lester Pearson, the former Prime Minister of Canada, to report on global trends in aid and development in order to stimulate the aid effort of individual countries. The Pearson Report endorsed the 'two gap'²⁶ approach to development, but took the view that 'the one percent goal' was too ambitious. Instead, the Pearson Report recommended that a more realistic target would be 0.7 percent of developed countries' GNP as an aid goal.

²⁵ R.E Wood, p.75

²⁶ The 'two gap' theory of economic development which attracted much attention in the 1960s suggested that development was constrained in poor countries by two factors: the inability to save and the inability to import essential goods and services. It was argued that aid flows, by bridging both gaps, could boost growth in developing countries. Large amounts of economic and military aid had evidently contributed to rapid growth in Taiwan and in the Republic of Korea and it was expected that these results could be replicated elsewhere. R.G. Jackson, Report of the Committee to Review the Australian Overseas Aid Program, Canberra: Australian Government Printing Service, 1984, p.43

After 1964, the 'Group of 77', formed by developing nations to co-ordinate their policies to the United Nations, sought major financial transfers from the industrialised nations of the 'north' to the developing nations of the 'south' through the establishment of a 'new international economic order'. The pressure for aid flows was maintained through the 1960s. The 0.7 percent of GNP target for official aid set by the Pearson Report in 1968 continued to be accepted as a desirable goal for donor nations. The international pressure in favour of achieving this target was evident in the United Nations' International Development Strategy for the 1980s.

The 1970s, in terms of the history of foreign aid in the post war years, will be remembered largely for the origin of the aid programmes of wealthy OPEC nations. At the time, the increased share of multilateral aid in total aid flows, which emerged in the 1960s, continued. As a consequence, the number of donor nations grew rapidly, with smaller countries which did not have programmes large enough to justify substantial bilateral activities making multilateral contributions. The provision of aid through multilateral institutions gained favour because it avoided charges of attempted political influence by donor nations. As a consequence, the World Bank and major regional banks, particularly the Asian Development Bank and the Inter-American Bank were able to build large-scale,

specialised aid delivery mechanisms which enhanced the arguments for multilateral aid flows.

The trend towards multilateralism, however, was to lose pace in the 1980s. As small donors expanded their total aid programmes, effective bilateral programmes became possible. Donors, understandably, tend to prefer bilateral programmes because they could be used to improve political and commercial relations with recipient nations. Indeed, until the mid 1970s, it was widely agreed that commercial activities should be distinguished from aid. The economic recession of the 1980s, however, led to a retreat from the liberal attitudes that existed in the early 1970s. The practice of 'tying' of aid to suppliers in donor countries, which raised the costs of goods and materials, thus reducing the value of aid, increased. Aid, by the 1980s, had therefore come to be acknowledged as a legitimate tool for serving donor interests, while at the same time fulfilling humanitarian objectives.

2.3 JAPAN AS FOREIGN AID DONOR: A BACKGROUND

Japan, like much of Europe, was ravaged by the Second World War. As a consequence of defeat, Japan was forced to endure the heavy burden of war reparations at the same time it sought to rebuild itself. It was not until the 1950s, then, that Japan first began

its aid programme, with various small scale contributions to United Nations agencies, which culminated in 1954 with Japan joining the Colombo Plan for Cooperative Economic Development in South and Southeast Asia. In that same year, Japan concluded the first of several war reparations agreements which committed it to provide grants, private loans and export credits as settlements for World War II-related damages. In this respect, early Japanese aid served a dual purpose. Not only was it provided as a means of compensation for war time aggression and the occupation of neighbouring countries, it was also linked, even at such an early stage, to Japan's own economic recovery, based on growth in industrial production and trade. Aid was to act as the catalyst for Japanese firms to gain access to foreign markets, as a means of securing access to raw materials. It also served as an effective means of promoting exports. As Tarte noted:

In the early stages of Japan's aid program the term 'economic cooperation' (*keizai kyoryoku*) rather than aid (*enjo*) was adopted. Economic cooperation described both private and government capital flows to neighbouring developing countries, including loans, export credits and private investment, encompassing profit-oriented activities of Japan's private sector and aid was explicitly linked to the promotion of those activities. The basic orientation of economic cooperation was to assist the Japanese economy.²⁷

²⁷ S. Tarte, Japan's aid diplomacy and the Pacific islands, Suva: Institute of Pacific Studies, University of the South Pacific, 1998, p.19

In the 1960s, Japan was to become more integrated into the international aid community. It joined the Development Assistance Committee in 1961, the International Development Association of the World Bank, and the International Monetary Fund, as well as playing an important role in the establishment of the Asian Development Bank in 1966. In effect, these organisations helped to play a significant part in Japan rebuilding its international role and the forging of relations with developed and developing nations. For the first time, Japan began to extend grant aid that was unrelated to reparation payments. Indeed, by the decade's end, Japanese official development assistance had blossomed to encompass bilateral loans, grants, reparations, technical assistance, and contributions to the aforementioned multilateral organisations.

What ought to be noted about Japan's aid programme at this time was its sole focus on Asia, in line with its post-war foreign policy, although the major motivating factor was economic. By the 1970s, however, the programme evolved still further and grew to encompass more recipients and wider foreign policy objectives, as discussed in chapter four, and it was in such a context that Japan's aid to the South Pacific was initiated.

2.4 JAPAN'S RELATIONSHIP WITH THE SOUTH PACIFIC: A BRIEF HISTORY:

It may appear that Japan's involvement in the region as an aid donor after 1977 marked its first real links with the islands of the South Pacific, but this was not the case. In the late seventeenth century Japanese traders first took notice of the abundance of the region's natural resources. By the late nineteenth century, Japanese labourers flocked to Micronesia and Polynesia, to such an extent that by 1906, approximately 80 percent of the total trade in German Micronesia was controlled by Japanese interests.²⁸

It was not only for commercial gain, however, that Japan sought to further its relationship with Micronesia. As early as the 1880s, a handful of Japanese government officials, naval officers and journalists had argued for the acquisition of equatorial lands in the South Pacific on the basis of economic advantage, national security, and geopolitics. The outbreak of World War I enabled Japan to move from trade partner to ruler, in line with these aims. Japan, as an ally of Great Britain through a 1902 agreement, took from Germany its Micronesian possessions of the Marshalls,

²⁸ One Japanese concern, the *Nan'yo Boeki Kabushikigaisha* or *Nambo* (South Seas Trading Company), illustrates the extent to which Japanese enterprises come to dominate commerce in Micronesia in the late nineteenth and early twentieth centuries. *Nambo* was involved in ventures as disparate as the copra trade, commercial fishing operations, inter-island mail services and freight and passenger transport, which all combined to give it a near monopoly over trade in the central and western parts of Micronesia by 1914. For a fuller discussion on *Nambo*, see D. Hanlon, "Patterns of colonial rule in Micronesia," in K.R. Howe, C. Kiste and Brij V. Lal (eds), *Tides of History: The Pacific Islands in the twentieth century*, University of Hawaii Press, Honolulu, 1994, p.106

Marianas and Carolines in October, 1914. This act should be seen in the context of a desire for a southward advance, or *nanshin*, as part of Japan's ambition for world power status.

With the Great War over, the League of Nations formally recognised Japan's occupation of the former German Micronesian possessions.²⁹ In reality though, the guardianship given Japan by the League allowed it to practically annex the islands. As a consequence, Japanese private investment in agriculture, industry and commerce was to increase dramatically through the 1920s, to such an extent that the islands were no longer a drain on the imperial treasury. In the 1930s, the Japanese government sought to integrate colonial territories more extensively and quickly into the imperial economy. A special commission was formed to identify means to accelerate the settlement of Micronesia, to speed the exploitation of island and marine resources, and to promote tropical industry. An agency was created for such a purpose.³⁰ Japanese immigration to the islands increased dramatically in the 1930s, as a necessary ingredient in the quest for economic development, to such an extent

²⁹ Japan was granted a Class C Mandate for which it promised to file progress reports with the League, to forego the construction of any fortifications in the mandated territory, and to guarantee the right of commerce within the territory to all nations. D. Hanlon, "Patterns of colonial rule in Micronesia," pp.94-95

³⁰ It was called *Nan'yo Takushoka* or *Nantaku* (South Seas Colonial Corporation). It quickly assumed direct management of the phosphate mines in the West Carolines. It also established a host of subsidiary companies involved in electrical energy generation, refrigeration, aluminium mining, pearl fishing and commercial agriculture. D. Hanlon, "Patterns of colonial rule in Micronesia", pp.106-107

that it was believed that there were almost twice as many Japanese nationals in Micronesia than there were Micronesians by 1935.³¹

It should be noted, therefore, that Japan did have an interest in the South Pacific long before the advent of its aid programme to the region which began in the late 1970s. While the peace settlement after World War II put an end to Japan's control of the former German Micronesian possessions, and with it, the role it had filled in the region, it did not signal a loss of interest in the potential that the islands had to offer. As has been seen, the Second World War had particularly disastrous consequences for Japan, and much rebuilding and many reparation payments had to be made before it could look to re-establish its links with the region.

2.5 AUSTRALIAN FOREIGN AID: A BACKGROUND

Australia's aid activities began before World War II when small 'grants-in-aid', generally below \$A100,000, were made to Papua New Guinea. After 1945, assistance to Papua New Guinea increased rapidly and remained at about two-thirds of the programme's total until the 1970s. In 1952, bilateral activities in other countries began under the Colombo Plan. A small-scale aid

³¹According to Hanlon, there were 96,000 Japanese nationals in Micronesia at the outbreak of the Second World War. D. Hanlon, "Patterns of colonial rule in Micronesia", pp.106-107

programme to the South Pacific was established in 1966, the same year Australia became a member of the Development Assistance Committee of the OECD, which was no coincidence.

In the first two decades after World War II, there were only marginal changes in the geographic distribution of the bilateral programme, with Southeast Asia gradually gaining importance at the expense of South Asia. This was symbolised in 1969 when Indonesia overtook India as the second largest recipient, after Papua New Guinea. Humanitarian concerns, primarily a desire to help poor nations, and political considerations meant that newly independent countries in South and Southeast Asia were the focus of Australia's aid programme in the 1970s.³²

In the early 1970s, the percentage of economic assistance received by Papua New Guinea began to decline, though it was still allocated the majority of Australia's aid budget. Indeed, no other donor consistently devoted as high a percentage of its bilateral aid to a single country as Australia did to Papua New Guinea. A growing emphasis on Southeast Asia, particularly ASEAN countries, and the emergence of the South Pacific³³ in Australian aid policy marked a new focus.

³² Jackson, p.48

³³ It is important to note that in official Australian aid policy, the term 'South Pacific' refers to the island nations of the South Pacific Forum, with the exception of Papua New

In the early 1970s, the Whitlam government set itself the goal of working towards a level of aid of 0.7 percent of Gross National Product by the end of the decade, in line with other donors. In its first year, Whitlam and his colleagues increased Australia's aid budget by 28 percent over the previous year, with 75 percent of total bilateral aid going to Papua New Guinea in the form of an annual subsidy.³⁴ The remainder of the region, however, received less than 0.5 percent.³⁵ Over the next four years, 1973 to 1976, Australian aid to the region, which was traditional in content, totalled only \$A15 million.³⁶ As will be shown in Chapter Three, Australian aid to the region was to begin a process of evolution in 1976, which mirrored the new place the South Pacific was to play in Australia's foreign policy.

Guinea. Because of Australia's close relationship with Papua New Guinea, which is reflected in the large percentage of aid the former Australian colony receives, Australian aid policy documents tend to treat the South Pacific and Papua New Guinea separately.

³⁴ Before 1973, several different government departments handled Australia's aid programme. Under this arrangement, the Department of External Territories was responsible for the administration of aid to Papua New Guinea and the Department of Foreign Affairs oversaw overall aid policy and administered a quarter of the total aid budget. The Treasury played a role in financial supervision of the aid programme and was responsible for Australia's contribution to the international financial institutions. The Departments of Education, Trade and Industry, Primary Industry, and Supply were also actively involved in the aid programme. However, the increasing complexity of aid and Papua New Guinea's imminent independence meant that aid functions were brought together into one body in 1974, the Australian Development Assistance Agency (ADAA), to administer and advise the Minister of Foreign Affairs on aid-related issues. The Australian Development Assistance Bureau (ADAB) replaced ADAA in 1976 in a further reorganisation of the aid programme.

³⁵ Senate Standing Committee on Foreign Affairs and Defence, Australia and the South Pacific, Canberra: Australian Government Publishing Service, 1978, p.36

³⁶ It was 'traditional' in the sense that it was largely devoted to the provision of educational scholarships, the supply of some food, and the implementation of a wide range of projects. The term 'traditional' was used by the Senate Standing Committee on Foreign Affairs and Defence in its 1976 report, Australia and the South Pacific, p.30

By the early 1980s, aid programmes for African and the Indian Ocean had been created, which signalled a further diversification of Australia's aid programme, in geographical terms. One point that needs to be emphasised about the Australian aid programme which had developed by this time, however, which is still evident today, is that while one country, Papua New Guinea, was the chief beneficiary, many others were recipients. Even the 'large' aid programmes in Southeast Asia were relatively small, and in none of these countries is Australia the major donor.³⁷ Furthermore, Australia gives aid to a greater number of countries than most other donors, and in a wide variety of forms and in almost every sector of aid activity. As a consequence, the Australian programme is one of the most fragmented of all donor programmes, with a big 'body' of aid to Papua New Guinea and a relatively long 'tail' of relatively small grants to over 70 countries.³⁸

2.6 Australia and the South Pacific: A Background

Australia's relationship with the islands of the South Pacific date back over two centuries. Trade between Australia and the region began in 1801 with a shipment of salt pork from Tahiti to

³⁷ Australian aid to Indonesia, the second largest recipient of Australian aid, for example, amounts to less than 5 percent of total aid flows to Indonesia. Jackson, p.49

Sydney, and continued to grow throughout the nineteenth century. By the 1920s, Australian commercial enterprises were operating extensively throughout the region, and particularly in Western Samoa, Fiji, Papua New Guinea, New Hebrides and the Solomons. Australia's relations with the region, however, were not merely commercial in nature. Missionaries spread Christianity, teachers spread knowledge and island labourers were cheaply recruited. Australia was to play a key role in the administration of Nauru³⁹ and Papua New Guinea⁴⁰, but Australia did not pay the region the attention it deserved, despite growing links over the past century. Only during World War II did the region play a significant part in Australian foreign policy, thereafter it receded into the background.⁴¹

³⁸ Jackson, p.49

³⁹ In 1947, after decades as one of Nauru's largest markets for rock phosphate, full powers of legislation, Australia, exercised administration and jurisdiction in conjunction with New Zealand, over Nauru as a part trustee power, prior to Nauru's independence in 1968.

⁴⁰ In 1874, the Australian colonies requested Britain to annex mainland New Guinea, but Britain refused this request and subsequent requests until 1884, when East New Guinea and the adjoining islands were proclaimed as a British protectorate. Formal annexation took place in 1888, and the protectorate under the name of British New Guinea was administered by the colony of Queensland. In 1902, Queensland relinquished its administration of British New Guinea which was renamed Papua, in favour of the newly formed Commonwealth of Australia and in 1906, Papua became an Australian colony. In 1914, German New Guinea was taken over by Australia and in 1946 full control over Papua New Guinea was transferred from military to civil administration.

⁴¹ In 1947, the Canberra Pact was formed after a conference held in Canberra attended by all colonial rulers in the region to discuss the future needs of the region in an age when decolonisation was not envisaged. During the war, Australia and New Zealand had been concerned about the possibility of a withdrawal of Britain from the region, though it was not until 1947 that efforts were made to examine the future of the South Pacific. The South Pacific Commission was created as a consequence. It dealt with social and economic issues of its members, and was seen by Australia as an economic means of maintaining an influence over the region. After the creation of the South Pacific Commission, however, Australia took a less active role in regional affairs.

Australia came to terms with its Pacific geography and history and entered into a new phase in its relationship with the region suddenly and belatedly, in comparison with New Zealand. Indeed, it has been suggested that "Australia until the 1970s was more conscious of the hot air of Asia being breathed down its neck than of the trade winds of the Pacific."⁴² By the mid 1970s, however, Australia was no longer as preoccupied with issues outside the region as it had been in the 1950s and 1960s, when the Vietnam War, regional security arrangements in ANZUS, SEATO and AMDA were to the fore, along with the consequences of Britain's negotiations with the EEC. Its attention was turned to events closer to home, which was to result in 1976 in a greatly increased aid package to the region.

In 1972, with Gough Whitlam at the helm, a greater emphasis was placed on Australia's special interests in the region and its responsibility for the economic and social development of the South Pacific. The new Australian Prime Minister of that year, along with his New Zealand counterpart, Norman Kirk, entered into a new phase in their countries' relationship with the region. In Australia's case, "the architect of this change was Whitlam, the builder was

⁴² M. Boyd, "Australia, New Zealand and the Pacific" in R. Rayburn (ed), Foreign Policy School 1978: Australia and New Zealand Relations, Dunedin: Otago University Press in association with the Otago Foreign Policy School, 1978, p.36

Fraser, the foundations were Papua New Guinea's independence."⁴³

While Nauru had gained independence in 1968, it was Papua New Guinea's achievement of self-government in 1973 and independence in 1975 which was to capture Australian attention of the region, not least because the former Australian colony became in charge of its own foreign policy.

Decolonisation created a rapidly changing South Pacific in the 1970s. Australia, having taken great notice of Papua New Guinea's independence, became increasingly aware of the moves towards self-determination of the other islands of the region. It was against this backdrop of sudden change that Australia's new attitude to the region emerged in the mid 1970s. At the time, the Solomon Islands, Gilbert Islands, New Hebrides and Tuvalu were going down a path leading to independence, while the Marianas and the six other districts of Micronesia were considering their future status. Decolonisation within the South Pacific brought with it changed needs and aspirations on the part of newly-independent states. Australia took notice of the need for trade, foreign aid and investment, as well as an obligation to play a larger part in what essentially was its own neighbourhood. Independence resulted in a greater interest by external powers, particularly the Soviet Union

⁴³ M. Boyd, p.37

and China, in the region, which did not go unnoticed by Australia. It was, however, decolonisation rather than renewed fears of foreign intruders that was the real cause of Australia's growing interest in the South Pacific.⁴⁴ Chapter Three will investigate the truth behind this claim.

⁴⁴ Boyd, p35

CHAPTER THREE:

**AUSTRALIAN FOREIGN AID TO THE
SOUTH PACIFIC IN THE COLD WAR ERA**

3.1 INTRODUCTION:

In 1976, Australia signalled a greater awareness of the South Pacific in the form of a massive increase in ODA allocated to the region, from A\$15 million to A\$60 million.¹ At the time, the first review of Australia's relationship with the region was conducted which was indicative of the 'new' place the region played in Australian foreign policy. Since then, other major examinations of the South Pacific have taken place, including the Jackson Report, in 1984, the first comprehensive review of Australia's aid programme. Jackson's efforts have been described as a 'watershed' because they revealed for the first time the actual purposes of ODA. Previously, the true intention of policymakers had been hidden behind claims that humanitarian ideals were the cornerstone of aid. In the wake of the Jackson Report, two further assessments of the aid programme took place in 1989. Australia's Relations with the South Pacific and A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program, most importantly, were written in the lead up to the fall of the Berlin Wall. All four, therefore, were written during the Cold War, and provide evidence of aid policymakers' perception of the benefits to Australia of ODA.

¹ Senate Standing Committee on Foreign Affairs and Defence, Australia and the South Pacific. Canberra: Australian Government Publishing Service. 1978. p.30

As a consequence, this chapter is based on analysis of these reports in order to gauge the 'official' explanation of why Australia deemed it necessary to give aid to Papua New Guinea and the rest of the region. For the purposes of analysis, the major motivations which governed Australian ODA philosophy have been categorised as 'commercial motivations', 'security motivations', 'Australia's international reputation and connection with the region', and of course, 'humanitarian considerations'. As discussed in the introduction, each is broad in nature and there exists overlap between them. It is necessary, however, to take such an approach to create a base from which Australia can be compared with Japan (Chapter Six).

3.2 COMMERCIAL MOTIVATIONS

At the time of the first report, Australia and the South Pacific: Report of the Senate Standing Committee on Foreign Affairs and Defence, 1978, the economic advantages to Australian business ventures in the region can be detected, though they were not overplayed. Significantly, the new aid package announced in October 1976, which effectively quadrupled Australian economic assistance to the region, provided for increased funding of joint business ventures between Australian entrepreneurs and their island counterparts. Such an initiative came at a time when free advice, tax assistance and investment insurance was offered to Australian business people active

in the region as a means of augmenting their activities in a region in which over 8 percent of Australian manufactures were exported.²

The Jackson Report was more forthright about the link between Australian aid and commercial gain. While there was little direct reference to the region, except to point out that it would remain an easily accessible market, particularly for Australian manufactured goods, for investment, and for airline and tourist organisations³, the general discussion on the relationship between aid and commerce is instructive. A growing appreciation that Australia's economic prospects were enhanced by sustained economic development in the Asian, Pacific and Indian Ocean regions is noted.⁴ The real benefit, however, would be to Australian commercial interests groups, including exporters of primary products, manufacturers, overseas investors and professional consultants, who actively lobbied Jackson's Committee. It was noted that:

In the short run Australian producers, traders and investors benefit when the Australian aid program emphasises the procurement of Australian goods at internationally competitive prices while supporting development objectives. However, the argument for mutual economic gains is essentially a long-term one. Development expands the market for Australian goods and services and increases opportunities for direct investment abroad by

² The Parliament of the Commonwealth of Australia, Senate Standing Committee on Foreign Affairs and Defence, Australia and the South Pacific, Canberra: Australian Government Printing Service, 1978, p.19

³ R.G.Jackson, Report of the Committee to Review the Australian Overseas Aid Programme, Canberra: Australian Government Printing Service, 1984 (Jackson Report), p.177

⁴ Jackson, p.20

Australian companies. Developing countries need to export to be able to import Australian goods and technology. Trade leads to specialisation and efficiency. Aid and trade reinforce each other.⁵

The idea of using Australian goods, whenever possible, within the Australian aid programme, or 'tying' aid, is prevalent in the Jackson Report. The potential benefits of tied aid included an expansion of Australian manufacturing production, the promotion of greater service industry exports and an increase in the number of jobs in Australia, as well as familiarising Australian firms with business conditions in developing countries and the introduction to potentially new customers.⁶ It should come as no surprise, therefore, that in 1982-1983, 93 percent of goods and materials purchased for bilateral aid programmes outside of Papua New Guinea were from Australian sources, and that, in total, 45 percent of Australian aid was tied.⁷ Such a practice was also defended on the basis that other donors were doing so.

The preference for bilateral over multilateral aid programmes should largely be interpreted in light of the commercial benefits to Australia. The appropriate balance between the two, the Jackson Report concluded, should be about 25 percent multilateral, and the

⁵ Jackson, p.22

⁶ Ibid. p.119

⁷ Ibid. p.120

remainder bilateral.⁸ The issue of efficiency certainly played a part in this recommendation, but the fact that Australian firms lacked the interest and initiative to pursue multilateral development bank contracts, and because of the expense in the tendering process for such contracts, bilateral aid was favoured. As a consequence, the Australian aid programme had a much lower multilateral component than was the average for industrial country donors.

The Jackson Report, therefore, provided a lengthy, if somewhat general, discussion on the relationship between aid and commercial gain. A commentary of this relationship which makes greater reference to the South Pacific, however, can be found in the report of Australia's Joint Committee on Foreign Affairs and Defence, entitled Australia's Relations with the South Pacific.⁹ The region, it was noted, constituted a comparatively small proportion of Australian trade, as Australia has traditionally placed greater emphasis on trade relationships with major international partners in Europe, America and Asia. Australian exports to South Pacific Forum countries (excluding New Zealand) in 1987-1988 amounted to \$A1025m and imports to \$A228, which was a decrease on the previous year's levels.¹⁰

⁸ Ibid. p.66

⁹ The Parliament of the Commonwealth of Australia Joint Committee on Foreign Affairs, Defence and Trade, Australia's relations with the South Pacific, Canberra: Australian Government Publishing Service, 1989.

¹⁰ Foodstuffs, fuels, manufactured goods and machinery and transport equipment were Australia's major exports, with Papua New Guinea importing over 60 percent of these goods, and Fiji and French Polynesia, about 10 percent each. The great majority of the region's exports to

Significantly, Australian investment in the region had doubled between 1984 to 1989 from \$A665m to \$A1592, though \$A1328m went to Papua New Guinea, predominantly in capital intensive mining. The remainder of the South Pacific, however, received only \$A264m, which marked a notable decline since the late 1970s.¹¹

The link between Australian business and aid was briefly discussed in the report. The link, it was noted, was widely acknowledged and accepted. Australian aid, however, should not be viewed 'primarily' as a tool to improve market access for Australian goods and services, and aid must not be "used to provide an entrée into the region for Australian companies."¹²

Table 1: Country Programmes to the South Pacific, 1984-85 to 1988-89 (\$Am)

| Program Element | | | Expenditure | | |
|-------------------------|---------|---------|-------------|---------|---------|
| Country | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 |
| Fiji | 11.5 | 12.1 | 12.7 | 13.4 | 22.0 |
| Solomon Islands | 6.8 | 5.5 | 6.6 | 9.1 | 9.0 |
| Vanuatu | 3.5 | 5.4 | 8.7 | 7.8 | 8.6 |
| Tonga | 5.9 | 5.1 | 5.8 | 7.6 | 6.9 |
| Western Samoa | 4.7 | 5.3 | 5.7 | 9.1 | 7.5 |
| Tuvalu | 1.1 | 1.2 | 2.8 | 2.7 | 3.1 |
| Kiribati | 2.4 | 2.4 | 2.8 | 2.7 | 3.1 |
| Cook Islands | 0.9 | 0.4 | 1.0 | 1.3 | 0.9 |
| Niue | 0.1 | 0.2 | 0.4 | 0.3 | 0.5 |
| Micronesia/Other | 0.1 | 0.2 | 0.3 | 0.6 | 0.7 |
| Papua New Guinea | | | | | |
| Budget Support | 299.0 | 302.8 | 304.5 | 275.0 | 275.0 |
| Programmed Activities | 3.1 | 4.1 | 7.7 | 9.9 | 14.1 |
| Retirement Benefits | 12.0 | 12.4 | 13.1 | 14.4 | 14.2 |

Australia came from Papua New Guinea, a quarter from Nauru and just over 10 percent from Fiji, the majority of which was primary produce. Ibid, p36. For a fuller list of figures, see Australia's relations with the South Pacific, pp.36 to 41

¹¹ Ibid. p.48

¹² Ibid. p.76

| | | | | | |
|-----------------------|--------------|--------------|--------------|--------------|--------------|
| PNG Total | 314.1 | 319.3 | 325.3 | 299.3 | 303.3 |
| Regional | | | | | |
| SPEC | 1.6 | 1.6 | 1.5 | 2.1 | 1.9 |
| SPC | 1.7 | 2.6 | 2.6 | 3.0 | 3.1 |
| FFA | 0.3 | 0.6 | 0.7 | 0.4 | 0.6 |
| USP | 4.4 | 4.6 | 6.0 | 3.5 | 3.7 |
| ACPAC | 3.0 | 3.4 | 3.8 | 2.4 | 2.5 |
| Other | 1.7 | 2.8 | 4.3 | 5.9 | 12.7 |
| | | | | | |
| Regional Total | 363.8 | 372.7 | 397.2 | 369.9 | 388.3 |

Source: Australian Parliament Joint Committee on Foreign Affairs, Defence and Trade, Australia's Relations with the South Pacific, Canberra: Australian Government Publishing Service, 1989, p.58

As the table suggests, with the exception of Papua New Guinea, Australia's aid programmes to the South Pacific are certainly not large. Statistics on Australian private investment and trade with each country was not available, but it seems logical to assume that aid increased in line with greater commercial benefits to Australia in the majority of these recipient nations for what effectively was a small financial outlay by the Australian tax payer.

The final report covered, A Review of the Australian International Development Assistance Bureau and Australia's overseas aid program, 1989, contained a sizeable coverage of commercial interests. AIDAB, by this time, was putting considerable effort into improving the business community's awareness of the aid programme, through newsletters and seminars. As a consequence, Australian business and institutions were involved in virtually every aspect of country programme implementation: they provided the majority of machinery and equipment used in aid activities and Australian experts and consultants were designing, managing and staffing more than 400

aid projects worldwide. The point that only Australian-owned consultancy firms were used in the aid programme was reiterated. This meant that, with the exception of Papua New Guinea's budget support, 78 percent of total aid expenditure on goods and services were sourced in Australia, which in monetary terms, totalled some \$A600 million.¹³ A 20 percent procurement preference for Australian manufacturers and suppliers, introduced in the early 1980s, had a large part to play in facilitating the interest of Australian enterprises. In addition, the primary produce industries as well as educational institutions, it was pointed out, were key beneficiaries of the aid programme.

The Development Import Finance Facility, Australia's mixed credit scheme, provided Australian businesses the opportunity to supply developmentally important goods and services to Third World countries. Mixed credits combine grant aid funds with commercial export credits to provide soft finance. The result is a highly concessional finance package for developing countries. DIFF had, by the end of the 1980s, become an important mechanism for Australian companies to compete in numbers of developing countries where the markets have been 'spoiled' by aid supported competition. Over 4 percent of Australian aid expenditure, or \$A40 million came from

¹³ The Parliament of the Commonwealth of Australia Joint Committee on Foreign Affairs, Defence and Trade, A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program, Canberra: Australian Government Publishing Service, 1989, p.111

DIFF, which has made Australian offers highly competitive.¹⁴ An increase of the DIFF/ODA ratio, to 5 percent, was advocated, as a means of benefiting Australian business.

Australia's multilateral component in its aid programme, it was noted, was lower than many other donors. Significantly, it was pointed out that the Australian private sector got back more than a dollar for every dollar channelled through the multilateral development banks.¹⁵ Australia's procurement record in respect of multilateral assistance is less than laudable, because of a 'low key' attitude by Australia. Procurement through the major development banks offered considerable untapped commercial potential, and thus a 'concerted effort' to increase the success of Australian bids, through greater assistance to companies tendering for contracts, was advocated.¹⁶

The 'balanced pursuit' of Australian trade objectives and aid were still controversial, but were not incompatible provided the overriding concern was with effective development assistance. Interestingly, it was added that correlation between aid and trade was simply asserted by critics; and very little evidence was available to the Committee to prove the existence of the correlation. For instance, the number and value of consultancies engaged, and in what sectors; detail

¹⁴ A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program, p120

¹⁵ Ibid. p.123

¹⁶ Ibid. p.124

on additional follow-on contracts for the sale of goods and services; and trade spin-offs, it noted, needed to be available to demonstrate the benefit to Australian business from the aid programme.¹⁷

In a sense, this need for ‘proof’ highlights several points. Firstly, that it is difficult to quantitatively assess the success of the aid programme’s link to commercial activities, though it must be assumed that the link is worthwhile. This in turn, is a reflection of the need to have aid policy supported by the Australian public, so as to justify the extent of money given to developing nations. Second, it marks the progression from 1976 to the end of the Cold War where the link had transformed from being scarcely mentioned at all to a time when it had come to be seen as not only part of the aid programme, but a ‘legitimate’ one at that.

3.3 SECURITY MOTIVATIONS:

That Australia’s aid to the South Pacific is in part a result of broad security concerns by Australia is evident in the various reports published between 1978 and 1989. A closer examination of these reports, however, reveals that perhaps too much is made of this basis.

Australia and the South Pacific, 1978, in essence, large side steps the

issue. Mention is made of the ill-fated attempts of the Soviet Union and China to establish missions in Port Moresby, a consequence of a growing awareness of the region by external, 'hostile' countries, itself a result of decolonisation. Such interference was not in Australia's best interests, because a 'military capacity' could have been established in the region that could not only 'threaten or harass' Australia, but jeopardise important American and Japanese sea routes, though the likelihood of this was deemed 'arguable' at best.¹⁸ Interestingly, the Committee felt it necessary to respond to the claim of the link between security and aid: "In reply it was pointed out to the Committee that the planning to increase Australian assistance...was commenced well before the Soviet and Chinese initiatives, as was the decision to implement the program."¹⁹

Nevertheless, the USSR had established non-resident diplomatic relations with Fiji in 1974, and Tonga and Western Samoa in 1976, which suggests that the increased Australian aid programme in 1976 must have been influenced by these developments.

The Jackson Report contained greater reference to the issue of security. It was noted that:

¹⁷ A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program, p.118

¹⁸ Australia and the South Pacific, pp.12-15

¹⁹ Jackson, p.39

Successive Australian governments have seen the South Pacific region as having fundamental strategic importance to Australia. Australia needs to communicate across the region with its allies and trading partners, to move freely within the region, and to have access to its ports and facilities. Above all, Australia wants a region which is independent, cohesive and free of superpower rivalries. Political or economic crises that destabilise the region would be most unfortunate.²⁰

The importance of Papua New Guinea's security to Australia, clearly demonstrated during World War II, is addressed and it is added that "It is in Australia's direct interests that political stability be preserved within Papua New Guinea, and that neither great nor medium-power rivalries become a dominant factor in the international relations of the area."²¹ That aid can contribute, if only in a small way, to the preservation of stability in the region, however, is emphasised. The Jackson Report, though, did not address the security consideration behind aid to the extent that it did commercial motivations, and the 1989 report of the Joint Committee on Foreign Affairs, Defence and trade, Australia's Relations with the South Pacific, is certainly a more useful guide to the importance Australia accorded to security concerns.

Soviet Union and Libyan inroads into the region are examined in the 1989 report. In July 1986, the then Soviet leader, Mikhail Gorbachev, in a now famous speech signalled a greater interest and involvement by the USSR in the Pacific Ocean region. Although

²⁰ Jackson, p.177

²¹ Ibid. p.146

much of the speech focused on the economic prospects for the Soviet Far-East and relations with the major North Pacific powers, it served to confirm the growing Soviet interest in the South Pacific. This interest was demonstrated by increased diplomatic and commercial overtures in the 1970s, which were to intensify in the 1980s. Understandably, Soviet inroads were met with alarm in some quarters, but the Committee on Foreign Affairs, Defence and Trade concluded that the Soviet Union was adopting a relatively low-key approach to the region. It was prepared to capitalise on opportunities as they presented themselves to gain additional contact and influence in the region, it was noted, but there was little convincing evidence of a Soviet 'grand plan' for the region.²²

The Soviet approach to the South Pacific was labelled as 'opportunistic', as evidenced by the Soviet Union and its fishing agreements with Kiribati in 1985 and Vanuatu in 1987. Concern was raised at the reputation of Soviet fishing vessels for reconnaissance, communication and intelligence collection. Both agreements lasted only one year and, importantly, contained no provision was made for on-shore Soviet facilities. The Committee came to the conclusion that "Soviet interest in fishing was motivated by both political and commercial reasons, and that in reaching a commercial decision it

²² Australia's relations with the South Pacific, p.184

sought to exploit that for whatever political advantage was possible.”²³

It was mentioned, however, that both Kiribati and Vanuatu entered into the fishing agreements for economic reasons.

Libyan encroachment into the region during 1986 and 1987 was a great concern for Australia. The training in Libya of dissidents from Vanuatu and members of the militant faction within FLNKS, the Kanak United Liberation Front (FULK), and diplomatic relations with the former, heightened Australian suspicions. The Committee was unclear as to Libya's aim:

Some have suggested that Libya was acting as a proxy of the USSR and was seeking to foster anti-Western sentiment and internal instability in the region. Others have suggested that Libya sees the South Pacific as an area where, for a relatively small outlay, a great deal of trouble can be caused to Libya's two greatest enemies – the United States and France.²⁴

Mention of the declining influence of Libya for 'mischief-making' was made, as was a need for vigilance to ensure that it never regained its gains in the region.

It is profitable at this stage to examine how Australian responded to the challenges to the region's security from Soviet and Libyan activity. In the late 1970s, the Soviet Union was unsuccessful in establishing a diplomatic mission in Papua New Guinea. With Australia's close defence cooperation ties, and as Papua New Guinea's

²³ Australia's relations with the South Pacific, p.186

²⁴ Ibid. p.191

largest aid donor, it is likely that aid was used as a tool to persuade a change in attitude on the part of Australia's closest neighbour. In the case of the Soviet and Libyan overtures to the region in the middle and later years of the 1980s, the relationship between aid levels and security concerns is less clear. Certainly, in the case of Vanuatu, with its fishing agreement with the Soviet Union in 1987 and its links with Libya at the time, a noticeable increase in aid from Australia is evident. In 1984-85, \$A3 million of programme aid was made available to Vanuatu, which increased to \$A5.5 million one year later, and to \$A8.7 million in 1986-87. By 1987-88 the level had tailed off slightly, to \$A7.8 million, though a slight increase was evident in 1989.²⁵

In the case of the Soviet-Kiribati fishing deal of 1985, there is little evidence of Australia using aid to influence the foreign policy directions of the Micronesia nation. Indeed, the level of assistance remained static, at \$A2.4 million for 1984-85 to 1985-86, followed by a slight increase in the following year to \$A2.8 million.²⁶ This pattern, however, merits comment. It highlights, above all, the fact that it is difficult, statistically, to see strong correlations between aid volume and an independent nation's foreign policy initiatives, which challenge

²⁵ Australia's relations with the South Pacific, p.58

²⁶ *Ibid.* p.58

the donor's own security interests. Australia certainly was concerned by Kiribati's decision to enter into a fishing agreement with the Soviet Union.²⁷ As the region's major donor at the time, as well a key player in regional affairs, Australia did exert a great deal of influence on Japan to increase its aid flows to Kiribati after 1985. If Japan had not done so, it was likely that Australia, or the United States or Japan would have played a greater role in meeting the demands of the former British colony. While this is speculation, it does indicate a degree of coordination exists on the part of aid donors to the region to ensure that Western security interests are accommodated.

The evidence of the nexus between Australian aid levels and threats to the region's security from foreign nations, while not compelling, reveals one of the central tenets of Australian aid diplomacy. It is profitable, however, to examine internal crises within island states, particularly Fiji, to test the security-aid nexus further. The military coup in Fiji in May 1987 presented the Australian government with its biggest dilemma in the history of regional relations. Australia's reaction was strong in its condemnation, and its government, it is noted, quickly moved to suspend aid and military cooperation. A host of economic sanctions were also imposed on Fiji. Australia, however, subsequently moderated its approach, motivated

²⁷ See, U.F. Neemia-Mackenzie, "Russophobia and Self-Determination", in R. Walker and W. Sutherland (eds), The Pacific: Peace, Security and the Nuclear Issue, Tokyo: UN University Studies on Peace and Security, United Nations University, 1988, pp.196-198

by the lack of condemnation or action against Fiji by other regional countries, the lessening of Australia's ability to influence events within Fiji due to much reduced contact with the new regime, and the restoration a civilian government of sorts.²⁸

By January 1988, however, Australian civil aid to Fiji was subsequently resumed and steps were taken to normalise relations. The Committee believed that there were obvious limits to the extent to which Australia could have exerted influence in Fiji to support the democratic humanitarian values that Australia espouses:

Diplomatic and economic pressure can achieve only a limited amount, and may in some cases prevent access and dialogue that may lead to a more moderate line being taken. The fact remains that Australia is dealing with a sovereign nation, and that ultimately the self-interest and concerns of those in power in that country will dictate what path they choose to follow.²⁹

Significantly, Australia used aid as a lever for reform in Fiji in early 1988, by linking an additional \$A10 million to 'political, constitutional, economic and social developments in Fiji, including human rights'.³⁰ The Committee was quite critical of the additional aid package, believing that it, by implication, endorsed the status quo in Fiji and indirectly assist a government to ameliorate the disastrous economic effects of its own making. Conversely, had the Australian

²⁸ Australia's relations with the South Pacific, p.211

²⁹ Ibid. p.215

³⁰ Ibid, pp21-216

government not proceeded with the package, it would have alienated the regime in Suva even further which would have made it the subject of regional criticism of trying to buy influence with aid.³¹ Those democratic, politically stable states in the region, which only gained a moderate aid increase in 1988, had a right to feel aggrieved. Overall, the Committee believed that Australia should not have linked the supplementary aid to improvements in the internal political situation of Fiji, as the assessment of 'improvements' was so subjective that it proved pointless. Consequently,

The Committee urges that the way in which supplementary aid was supplied to Fiji be avoided in future if similar situations occur elsewhere. Care should be taken in future to avoid placing conditions on recipient countries that are difficult to assess, and impossible to enforce.³²

The security of the South Pacific, therefore, is an important concern for Australia, and this concern is reflected in its aid programme. That the region has largely remained pro-Western and democratic was seen as a 'happy coincidence', but the uncertainty of the future, was a cause for concern. The region was deemed a central region in Australia's own defence policy, to the extent that Australia was to see itself as a 'big brother' to the numerous island states. In reality, however, the threats to the region from outside or intra-

³¹ Australia's relations with the South Pacific, p.216

³² Ibid. p.217

regional conflict are, in the Committee's words, 'slight'. The greatest security risk would come from domestic internal instability.³³ Certainly, the Fiji situation in 1987, which did not meet with Australian approval, did "not necessarily endanger Australia's own security or the interests of the Western alliance." Had it done so, Australia's response, using aid as a powerful tool, presumably would have been more demonstrative.

While not devoting a good deal of time to the question of the role aid plays in meeting Australia's own security concerns, the Parliament of the Commonwealth of Australia's Joint Committee on Foreign Affairs, Defence and Trade's 1989 report, A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program, is nevertheless interesting for several reasons. It labels aid as a 'blatant instrument' for achieving specific foreign policy objectives, which indicates that aid to the South Pacific had evolved since 1976 to incorporate the a range of motivations, among them keeping the region secure from meddlesome activities of outsiders.³⁴ While these included China, in the 1978 report, Australia and the South Pacific, which thereafter received no mention, and Libya in the mid 1980s, the real concern was the new-

³³ Australia's relations with the South Pacific p.149

³⁴ A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program, p.127

found interest of the Soviet Union in the region. This, after all, was the era of the Cold War, and as submissions to the various reviews attested, there was a widespread fear, often unfounded, that the USSR had grand designs for the region. While the paranoia of AIDAB officials and their governmental colleagues in Foreign Affairs and Defence may not have matched that of members of the Australian public, the uncertainty regarding the true motivations of the Soviet Union was an ever-present dilemma for the former.

The other notable point made in the 1989 review was that, unlike some of the commercial effects of aid, the benefits to Australia's foreign relations and strategic interests are not quantifiable.³⁵ That Australian aid to the South Pacific did increase tremendously after 1976 does suggest that Australia's security fears were a central tenet of the aid philosophy at the time. Though, statistically, it is difficult to gauge the extent to which aid programmes were motivated by these said fears, the official reviews, as seen, did indicate a growing awareness of this dimension of aid diplomacy. From attempts to make very clear that no such link between aid and security existed, in 1978, the reviews mirrored the transformation in thinking that saw aid openly acknowledged as a 'blatant instrument' by the end of the Cold War.

³⁵ A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program, p.126

3.4 AUSTRALIA'S INTERNATIONAL REPUTATION AND ITS CONNECTION WITH THE SOUTH PACIFIC:

It has been shown, therefore, that commercial and security factors were key determinants in Australia's aid philosophy from 1976 to the end of the Cold War. Security and commercial considerations alone, however, were part of wider aims, and need to be understood in this context. Obviously, the defence of Australia was first and foremost, but a commitment by Australia to the Western Alliance, through the likes of ANZUS, helped shape Australian aid diplomacy. To be successful in this role, Australia had to improve its relations with the region. As the official reports show, Australia's reputation in the international arena has always a concern of aid policy-makers.

The 1978 report by the Senate Standing Committee on Foreign Affairs and Defence, Australia and the South Pacific, which signalled Australia's 'new awareness' of the region, reflected in a 'broadened' and a 'more positive' relationship with the many island states. Decolonisation in the region, necessitated a new devotion by Australia, inspired in part by the meddling of China and the Soviet Union, but also because of a sense of obligation to meet the needs of the newly-independent states:

By virtue of our size and past history of involvement in the South Pacific we have inherited and accepted a commitment as a neighbour, to make a genuine and

worthwhile contribution to the national and regional development of the South Pacific community.³⁶

Australia's 'tarnished' image in the region, because of a number of dubious business ventures by Australian nationals, and its 'belated' aid programme in comparison with other donors, were used to indicate the need for Australia to make more of a contribution to the region. Australia had no wish to 'dominate or dictate' Pacific nations, and was conscious of paying close attention to its 'special and close' relationship with Papua New Guinea, although not creating the impression that it saw the rest of the region as 'secondary'.³⁷

The 1978 report, then, showed the degree to which Australia was conscious of its reputation within the region, particularly criticism of its past involvement, and the greatly increased aid package of 1976 was used herald in a new relationship with the region. The social and economic 'advancement' of individual countries through aid programmes, however, was as much to do with 'increased international opinion' to the effect that Australian needed to make a greater contribution to the South Pacific.

The Jackson Report reveals a growing sense of Australian identity with the region, because of its status as the major aid donor and trade partner which created a 'highly visible presence'. Australia

³⁶ Australia and the South Pacific, pp.11-12

³⁷ *Ibid.* p.5

had assumed a role as “the ‘proximate ‘big’ power which gives it a certain authority and a concomitant responsibility”.³⁸ This ‘responsibility’, it would appear, had as much to do with catering to the needs of the islands as it did with Australia’s reputation on the world stage, reiterating the philosophy of the 1978 report:

Australia’s international credibility, particularly in relations with major allies, rests partly on its ability to be involved in and to understand the region and to have influence with island states on matters of regional and international concern such as decolonisation and nuclear testing. Other countries, rich and poor, see Australia as having an obligation to assist small and economically weak neighbours in the South Pacific.³⁹

Interestingly, the neither ‘dictate or dominate’ stance of the 1978 report was replaced by the benefits of ‘influence’ over the region, particularly at the height of the discord over nuclear-testing. ‘Influence’, too, presumably extended to efforts to prevent a stronger Soviet or Libyan foothold in the region, though the report did not name them directly. Instead, mention was ‘great or medium rivals’.⁴⁰

That the aid programme could serve the national interest in a multitude of ways was addressed in the Jackson Report. It was stated that aid would enhance Australia’s status in countries of strategic significance, though, again, Papua New Guinea was the only nation

³⁸ Jackson, p.183

³⁹ Ibid. p.177

⁴⁰ Ibid. p.146

named. It is clear, however, that the benefits of aid were well understood:

For Australia, stability in Asia and the Pacific is of special significance. Aid can contribute, if only in a small way, to the preservation of this stability. More broadly, aid serves Australian foreign policy interests by contributing to the maintenance of its good standing as a member of the world community. However, aid is at times taken for granted and its cessation – or even reduction – can damage relations between donor and recipient. It is therefore important that aid decisions are closely integrated with foreign policy, without jeopardising development objectives.⁴¹

It is in this context, that the discussion on the balance between multilateral and bilateral aid is most easily understood. It has been illustrated in the above discussion on commercial motivations (3.2) that Australia has a preference for bilateral aid, particularly because it enables the donor to have political influence and economic advantages, especially when the donor nation is the principal donor.⁴² The multilateral component for aid, though justified largely on the grounds that it can be more efficient than bilateral aid because large international organisations tend to be more highly specialised, exists for another reason: “Australia’s [multilateral] contributions should be seen as supporting the international character of global, sectoral and regional forums and agencies.”⁴³ While reference to Pacific regional

⁴¹ Jackson, pp.22-23

⁴² Ibid. pp.65-66

⁴³ Ibid., p.67

agencies was not mentioned, it can be assumed that this rationale was an important consideration in the final formulation of aid budgets.

Australia's Relations with the South Pacific (1989) reveals in greater detail many of the statements made in the Jackson Report, because of its sole focus on the region. The 'benign, paternalistic fashion' and general disinterest which characterised Australia's links with the region prior to the mid-1970s, had been transformed by a number of events in the 1980s. These "have brought the changing nature of the region home to public and government alike in a very powerful way and forced a reappraisal of policy toward the region."⁴⁴ They included the increased interest by the super-powers, particularly the USSR, and other non-Pacific nations, such as Libya, continued conflict in New Caledonia, civil disturbance in Vanuatu and two *coup d'etat* in Fiji.

"The furtherance of a favourable strategic situation in the South-West Pacific"⁴⁵, one of Australia's principal national defence interests, was justified along similar lines to the Jackson Report. Essentially, Australia's lines of communication with Japan, its major trading partner, and the United States, its major ally, ran through the region. Any 'unfriendly maritime power' in the region would, therefore, pose a risk to Australia's east coast which contain its major

⁴⁴ Australia's relations with the South Pacific, p.5

⁴⁵ Ibid p145, from the Defence White Paper, The Defence of Australia, March 1987

cities, and jeopardise the United States' ability to supply military equipment in the unlikely event of conflict.⁴⁶

It was argued that Australia has been labelled a 'big brother' seeking to impose on the Pacific the Western Alliance viewpoint, and identifying with the United States interests rather than the Pacific concerns about economic survival. In answer to such criticism, the Committee revealed much about its approach to the region:

While this criticism may have been valid in the past, there is evidence that Australia is moving to adopt a more sensitive, pro-Pacific stance, and seeking to use its influence to attempt to ameliorate US actions. Pressure on the US to reach an agreement with the region on tuna fishing, and Australian support of the South Pacific Nuclear Free Zone are two examples of Australia wanting to work for the region.⁴⁷

The Committee did, however, go on to reveal where Australia's loyalty lay:

It is a fact, and must be recognised as such, that Australia by virtue of its history, culture and political attitudes, remains firmly a member of the Western alliance and that there is a strong correlation in Australia's interest and the interests of her major allies. To this extent, and also by virtue of her size and power, both economic and military, Australia will always stand somewhat apart from the other Pacific island countries, but hopefully will form a bridge between the super-powers and the small Pacific states.⁴⁸

⁴⁶ Australia's relations with the South Pacific, p.145

⁴⁷ Ibid p.147

⁴⁸ Ibid. p.147

Greater contact with individual countries, it is argued, encourages in them a pro-Western outlook as does participation in the many regional organisations, especially the South Pacific Commission and the South Pacific Forum, 'to strengthen its ties of friendship with each of the countries'.⁴⁹ Indeed, this desire to work more closely with the region is evident in a speech by the then Australian Foreign Minister, Senator G. Evans, in 1988 which put forward the 'newly thought-through Australian policy approach' to the South Pacific region. The strategy of 'constructive commitment' as he put it involved closer cooperation and the creation of a regional approach to situations, internal and external, which put regional stability at risk.⁵⁰

As the Cold War era drew to a close, Australia's obligations to the 'Western Alliance' had played an integral role in shaping its aid philosophy. At the same time, an increased sense of being part of the South Pacific was evident. The end result was a dilemma:

The continuing fluidity of the relationship between Australia and the region will require sensitive handling and management, to avoid Australia being either seen as a 'big brother', attempting to dictate to the region, or alternatively as wishing to distance itself from the region and remaining uninvolved, should Australia hold back from proffering assistance and advice.⁵¹

⁴⁹ Australia's relations with the South Pacific. p.165

⁵⁰ Ibid. p.166

⁵¹ Ibid. p.223

That such a dilemma arose is an indication of the transformation that had taken place since 1976, when the South Pacific aid programme was effectively quadrupled. From a 'benign' relationship at this time, to the 'big brother' role a mere 13 years later, Australia had developed a dual obligation to both its immediate region, the South Pacific, and to the Western Alliance, particularly through ANZUS. That dual obligation, arguably, was as much about wanting to be seen to be playing its part. It was, as the reports suggested, all too aware of criticism of its role in international affairs, and was, to an extent, guided by it. As a middle power, playing a key role in the region, as the major aid donor, gave it a fair degree of pride, though its sense of duty to 'major powers', predominantly the United States, was its first priority. Aid to the region constituted a minute amount of Australia's wealth and, with the exception of Papua New Guinea, a relatively small part of its total aid budget. Yet, it was to be an important source of development assistance for a number of South Pacific nations, and in some cases, there largest donor. Aid, therefore, proved to be a most cost-effective foreign policy tool, and one that gave it a great return within the region.

3.5 HUMANITARIAN MOTIVATIONS:

The discussion thus far has focused on the commercial, security motivations as well as Australia's reputation within the region and beyond. It has been shown that these are interconnected, and have all, to varying extents, shaped Australia's aid programme to the South Pacific. It must be stressed, however, that while self-interest, in the above forms, certainly shaped the aid philosophy, that a humanitarian element was a guiding principle outlined in the various reports.

The 1978 report, Australia and the South Pacific, makes very clear that humanitarian concerns, expressed in terms of the social and economic 'advancement' of the peoples of the region, were the key determinant behind the aid programme. It should be noted, however, that because of its understating of commercial and strategic motivations, that humanitarianism would be overplayed. The need to guide the Pacific nations in their development was a central theme of the report.

The Jackson Report of 1984 contained a more lengthy discussion on the humanitarian basis behind the aid programme. Aid, it is stated, has a moral justification firmly based on the practices of the major religions. Its basic principles were outlined: a desire to eliminate starvation, relieve malnutrition and eradicate disease; distress at the

existence of poverty; a sense of kinship and responsibility for the human community, particularly its poorest members; and a belief that a more just and equal world would be more stable and peaceful.⁵² The latter, it is added, reflected Australian self-interest: "Greater equity with higher living standards and a fairer income distribution will bring about a more secure world with greater economic opportunities for all."⁵³ The faster development occurs, it is argued, the better Australia's strategic and economic interests will be served. In all, over 65 percent of Australians supported assisting developing countries.⁵⁴

Australia's Relations with the South Pacific, 1989, provided a limited coverage of the humanitarian factors behind Australian aid. Economic progress, it was argued, would bring about social and political stability. While not sidestepping the issue, it was content to reiterate the essential argument articulated in the Jackson Report:

Jackson argued that development of a country, and hence improvements in the living standards of its people, could only be achieved through economic growth. A corollary to this argument is the assumption that economic self-reliance is attainable by all countries if the appropriate developmental policies are followed.⁵⁵

⁵² Jackson, p.19

⁵³ Ibid. p.19

⁵⁴ Jackson, p.20. For a fuller discussion of the attitudes of Australians to their country's aid programme, see G. McCall (ed), Arguing for Aid: Some Australian Voices, Kensington, NSW: Centre for South Pacific Studies, the University of New South Wales, 1992 (Pacific Studies Monograph No.5)

⁵⁵ Australia's relations with the South Pacific, p55

The 'growth with equity' approach expounded by Jackson, had been replaced by a more realistic approach to the region's potential for development. The end-point of development, economic self-sufficiency, it was noted, just was not possible in every country. The Cook Islands, Kiribati, Tuvalu, Nauru and Niue were singled out as being countries where economic development should no longer be the chief determinant, and a changed emphasis towards improving the 'quality of life' was seen as more appropriate. Only Papua New Guinea and Fiji were regarded as capable of independent and self-sustaining economic growth. The Solomon Islands, Western Samoa, Vanuatu and Tonga, were awkwardly labelled as countries which fitted not into either category, though economic self-sufficiency in the long-term was a possibility.⁵⁶

A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program, 1989, provides a greater coverage of the poverty focus of aid than the Jackson Report. The debate between those who see that aid programmes should focus on poverty and those who see that economic growth should be the basis of aid was outlined, and it was noted that "growth and equity are compatible goals..."⁵⁷ The particular

⁵⁶ Jackson, pp.60-61

⁵⁷ A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program, p.17

conditions of a recipient country should dictate the nature of its aid programme, but the first priority should be a contribution to its social and economic progress.⁵⁸

By the end of the Cold War, therefore, an Australian ODA philosophy, characterised by the connection between security and commercial considerations, the role Australia saw itself playing in international affairs, a growing realisation of Australia's place within the region and a host of humanitarian justifications, had emerged. As will be shown, Japan shared similar motivations for giving aid to the South Pacific, though there were marked differences.

⁵⁸ A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program. p13

CHAPTER FOUR:

**JAPANESE FOREIGN AID TO THE
SOUTH PACIFIC IN THE COLD WAR ERA**

4.1 INTRODUCTION:

Japan's ascendancy from a position as a minor regional aid donor in the late 1970s to one where it had caught up with Australia as the South Pacific's largest supplier of ODA by the end of the 1980s took many by surprise.¹ In 1980, only 0.6 percent of Japan's bilateral aid found its way to the island states. Thirteen years later, however, that amount was to almost quadruple, a ten-fold increase in real terms, given Japan's rise into the position of the world's largest aid donor.²

What accounted for this massive transformation in Japan's involvement with the South Pacific? Chapter Two has shown that Japan was part of an international movement which saw developed countries provide ODA for the 'advancement' of Third World nations in the aftermath of World War II. It was also highlighted that Japan has had a long-standing connection with the South Pacific dating back several centuries, which indicated that Japan's involvement within the region as an aid donor was in many ways a logical development. For the purposes of analysis, Japan's motivations for assuming the role of aid donor are categorised in this chapter into a number of separate, though inter-

¹ Even the official reports on Australian aid during this time, including the Jackson Report (page 180) and the 1989 review, Australia's relations with the South Pacific, (page 192) suggested that Japan was playing a larger role in the region but did not indicate an awareness of the extent to which it was increasing its aid levels. This was in spite of the fact that by the mid 1980s, Japan had established itself as the region's fourth largest donor, behind only the United States, France and Australia, superseding New Zealand and Britain in the process.

² Between 1975 and 1990, Japan's South Pacific aid commitments increased from US\$5 million to US\$114 million. I Takeda, "Japan's Aid to the Pacific Island States", in B. Koppel and R.M. Orr

related, sections: Commercial and security considerations, the importance of Japan's international reputation, its affinity with the region, and finally, humanitarian considerations. These are assessed to highlight the complexity of Japan's aid philosophy and its transformation over time. In addition, the categories were selected to provide a basis for comparison with Australia, as alluded to in the Introduction, which is the focus of Chapter Six.

4.2 COMMERCIAL MOTIVATIONS:

4.2.1 Japan's Demand for Marine Resources and Fisheries Grant Aid:

The genesis of Japan's aid programme to the South Pacific was, to a large extent, founded on commercial considerations, principally a need for fish by one of the world's foremost distant-water fisheries nations. Any analysis of the evolution of Japanese foreign aid to the South Pacific, therefore, must take as its starting point the fact that the region has played a central role in meeting the daily dietary needs of Japanese nationals, dating back to the time of its colonial presence in Micronesia. Due to its own heavily exploited coastal fisheries and limited land, Japan is incapable of producing enough non-fish protein

[eds], *Japan's Foreign Aid: Power and Policy in a New Era*, Boulder: Westview Press, 1993, pp.229-230

for the national diet, and has relied, therefore, on fishing abroad. Japanese nationals, it must be emphasised, are the world's highest per capita consumers of fish products, to the extent that fish as a source of animal protein was as high as 51 percent in the early 1970s. Moreover, Japan was dependent on the Pacific for as much as 85 percent of its total tuna catch in 1975.³

The viability of fishing in the South Pacific, however, was seriously challenged in 1977 in the form of a new legal framework governing international jurisdiction over marine resources, which led to the creation of Exclusive Economic Zones (EEZs).⁴ Japan had fiercely fought their creation⁵ as it stood to be profoundly affected by their introduction,⁶ but its efforts proved fruitless. In the late 1970s, most newly-independent Pacific island nations formed EEZs that measured

³ I. Takeda, "Japan's Aid to the Pacific Island States", in B. Koppel and R.M. Orr [eds], *Japan's Foreign Aid: Power and Policy in a New Era*, Boulder: Westview Press, 1993, p.232

⁴ The development of the EEZ concept had its origins in the early years after the Second World War, but international consensus on detail, particularly the extent of EEZs, dogged its progress. As a consequence, the United Nations General Assembly resolved in 1970 to convene a conference on the Law of the Sea to settle these issues. The formal sessions of the conference lasted almost ten years, but the EEZ issue was resolved in principle by 1977. Pacific Island countries declared their 200-mile zones between 1977 and 1979, with only Fiji (1981) and Tuvalu (1984) not doing so until the 1980s. Access agreements were concluded with Papua New Guinea, Kiribati and Solomon Islands in 1977. These were followed by the French territories in 1979, and the Marshall Islands, Palau, and the Federated States of Micronesia in 1981. For a fuller examination, as well as analysis of Japan's own stance on the issue, see S. Tarte, *Japan's Aid Diplomacy and the Pacific Islands*, Suva: Institute of Pacific Studies, University of the South Pacific, 1998, pp.74-97

⁵ Japan was a constant critic of EEZs in the Law of the Seas conferences. Japan favoured unrestricted high seas fishing, but found itself increasingly isolated in the lead up to the 1977 resolution. Because of its need for fish, Japan wanted EEZs to be as small as possible. As time progressed, however, Japan's stance softened towards 'conditional acceptance' of EEZs, due to international condemnation.

⁶ 36 percent of Japanese fishing catches were affected by the creation of EEZs, and this meant that the cost of access would be passed on to Japanese nationals whose fish intake was four times the

in total about 20 million square kilometres, which in effect was many times the countries' land area. Shock-waves spread quickly through the Japanese fishing industry which reached government ministries. Fishing access agreements became a necessity within Pacific nations' territorial waters, and it is in this context, that the catalyst for Japanese foreign aid to the region can be found.

Foreign aid to the region, in the form of fisheries grant aid projects,⁷ was a direct response to the creation of EEZs. While in part fisheries grant aid served as a means of assisting the promotion of fisheries in developing countries, its real purpose was as a tool in the negotiation of fisheries agreements. Because of regional dissatisfaction with the rate of return offered by Japanese industry, fisheries grant aid served as a compromise between the demand for higher fees and what industry was prepared to pay. According to Tarte:

Fisheries grant aid thus became part of a strategy of modifying, through negotiation, 'restrictive coastal state policies'. In order to protect the interests of the fishing industry, the role of aid would be to 'smooth' access negotiations – that is, provide additional incentives for

global average. I. Takeda, "Japan's Aid to the Pacific Island States", in B. Koppel and R.M. Orr (eds), *Japan's Foreign Aid: Power and Policy in a New Era*, Boulder: Westview Press, 1993, p.232

⁷ In 1973, with the commencement of the Third Law of the Sea Conference, the Japanese government created a special fisheries grant allocation within its ODA budget. While initially small – about 6 percent of the ODA budget – it soon became an integral part of Japan's strategy of protecting its fishing industry after the creation of EEZs.

The creation of EEZs hastened a number of changes within Japan's government. New administrative demands, particularly negotiating fishing access agreements and regulating overseas fishing ventures, led to the restructuring and renaming in 1978 of the Ministry of Agriculture, Forestry and Fisheries to reflect the enhanced role of fisheries. In addition, the Overseas Fisheries Cooperation Foundation (OFCF) was established to support private sector fisheries cooperation with developed and developing countries.

coastal states to conclude access agreements with Japan. For this reason, it was important to establish a separate aid allocation...which would be closely tied to the access negotiations.⁸

The long-established and powerful fishing industry, so important to the functioning of Japan, needed assistance from its government in the wake of the creation of EEZs, and fisheries grant aid was, in effect, used as an indirect subsidy to maintain the effectiveness of the industry.

Fisheries grant aid, however, was multidimensional. On a diplomatic level, it was designed to be a gesture of goodwill, and served to build friendly relations between Japan and the region. It should be noted, however, that in the 1970s, economic goals were given precedence over diplomatic aims, and to great effect. Pacific island officials observed that while they sometimes sought aid to establish domestic fishing industries, the Japanese government was reluctant to provide aid that had the potential to create competition in the region for its fishing fleets. The precedence of Japanese interests over the preferences of the recipients has remained a constant feature of Japan's aid programme to the region.⁹ Furthermore, fisheries grant aid could be provided in anticipation of access agreements being concluded, often at the request of Japanese fisheries industry representatives, which enabled some Japanese vessels to gain bargain

⁸ S. Tarte, Japan's Aid Diplomacy and the Pacific Islands, p.84

⁹ For a fuller discussion, see S. Tarte, Japan's Aid Diplomacy and the Pacific Islands, p.96

prices for licensing fees¹⁰. All countries in the region, from the largest, Papua New Guinea¹¹, to the smallest, Tuvalu, have at times experienced pressure from Japan regarding fisheries access agreements. Aid has, on occasion, been suspended when access agreements have not been to Japan's liking.¹² The fact too, that since the 1970s, Japan operated almost exclusively on a bilateral basis with island governments, enabled it to play one island off against another at the negotiation table.¹³ It can be seen, therefore, that fisheries grant aid has overwhelmingly proved a particularly successful means by which

¹⁰ The Japanese government denies that there is a link between fisheries grant aid and fishing access agreements, but does admit that the state of a nation's fisheries relationship with Japan would influence the priority of a development project. This comes through clearly in the words of a senior Japanese Ministry of Foreign Affairs official: "...as budgetary limitation exists and while plenty of requests are received, there is a possibility that, in order to decide acceptance or priority of each request, the situation of the fishing relationship between the country [and Japan] might be considered." R. Grynberg, "The Tuna Dilemma", *Pacific Islands Monthly*, Volume 63, Number 5, May 1993, p.9

¹¹ Papua New Guinea and Japan began a lengthy and ultimately unsuccessful period of negotiation in July 1985 to review their access agreement. Throughout, the promise of aid, and conversely the withholding of aid, was used to pressure PNG.

¹² A Japanese-funded boat building project, for example, was cut off when Fiji refused to sign a bilateral access agreement. This was in line with the stance of the Japanese government that further provision of fisheries grant aid would depend on Fiji entering into an access agreement with Japan. Tarte has suggested that the pressure placed on Fiji, in particular, was part of a plan to undermine the regional support for a multilateral access agreement with Japan, because Fiji, in diplomatic terms, was seen as a regional 'opinion leader'. It was hoped, then, that by concluding an access agreement with Fiji, Japan could encourage other countries to continue with bilateral arrangements. S. Tarte, *Japan's Aid Diplomacy and the Pacific Islands*, pp.118-121

¹³ Japan has been successful in creating disunity in the region with regard to access agreements. The Federated States of Micronesia, for example, a key fishing partner of Japan, has made it quite clear that its preference is for keeping access arrangements bilateral. By keeping negotiations bilateral, Japan is able to exploit divisions between states to maximise its bargaining power.

Another interesting example of disunity with links to access agreements came at the height of the debate over drift and gill net fishing. Japan was able to persuade New Caledonia to break ranks with other island nations and allow uninhibited access for its ships to fish in the latter's EEZ by offering increased aid as an incentive.

the Japanese government has been able to exploit the region's abundance of marine resources.

What also makes aid so prudent an investment for Japan is the extent to which it is economically sound. Japanese vessels, it is estimated, pay only about \$19 million under bilateral access agreements, which is equivalent to between 4.5 and 5.5 percent of the catch value.¹⁴ Furthermore, what so often appears, superficially, to be a project designed to greatly benefit the recipient nation, can over the long-term be of tremendous benefit to the Japanese fishing industry.¹⁵

The extent of project-tied grant aid, a key aspect of Japanese aid policy since the 1950s, further highlights the benefits of aid to Japan. All contracts must be carried out by Japanese nationals, so as to prevent misappropriation by corrupt leaders in recipient nations. In reality, however, project aid ensures the involvement of Japanese firms and thus the recycling of Japanese money. In turn, the use of private firms, it is hoped, will lead to increased Japanese private investment within the recipient nation.

In the case of the South Pacific, Japan proved particularly successful off-setting the costs of its project aid. Most fishing access

¹⁴ S. Tarte, Japan's Aid Diplomacy and the Pacific Islands, p.13

¹⁵ The Japanese-financed Kiribati Fishermen's Training Centre, it has been argued, was built principally as a means of providing the Japanese tuna industry with cheaper sources of labour for its fishing fleets, despite the fact that it appears as a wise investment for the future of republic. S. Tarte, Japan's Aid Diplomacy and the Pacific Islands, p.126

agreement payments include a goods and services component to recipient nations, 75 percent of which is funded by Japan's Overseas Fisheries Cooperation Foundation, while industry pays the balance. Usually they are fisheries-related, and included such things as outboard motors, vessels, fishing gear, nets or office equipment to be used by the fisheries administrations. In reality, these goods, which effectively serve as a subsidy to Japan's fishing industry, are often surplus to requirements in Japan and are thus relatively inexpensive. Significantly, between 1977 and 1993, the largest share of this assistance was received by Oceania.¹⁶ Japan was the only distant-water fishing nation to do so. Others pay the entire access fee in cash. Though there is a wide variation in the percentage of goods and services to total access fees, in some cases they were quite substantial.¹⁷ The end result, therefore, is that fisheries grant aid proved to be such an effective tool and financially viable proposition for Japan that it is little wonder that it has remained at the centre of Japan's aid programme to the South Pacific.

¹⁶ 94 out of 135 cases, S. Tarte, Japan Aid Diplomacy and the Pacific Islands, p.87

¹⁷ The Solomon Island's access agreement payments for 1984 and 1987 were 40.84% and 42.59%, respectively. While these are at the extreme end, at least 10% of the access agreement payments of Kiribati, Marshall Islands, Palau, Solomon Islands and Tuvalu, in the period 1980 to 1988 were made up of goods and services. S. Tarte, Japan's Aid Diplomacy and the Pacific Islands, p.88

4.2.2 Aid and Private Investment:

A connection between aid and Japanese private investment in recipient nations has always drawn criticism from those who hold the view that Japan's aid was devoted more to fulfilling its own objectives than bringing about development. One critic, in particular, eloquently noted that:

As occasional ice-falls of yen melt from the glacier of Japanese concern for indigent Pacific nations, a closer view dispels the illusion of snowy purity and reveals a prospect as grubby as any black market pocket. Is this yet another colonial treadmill beginning, with the Islanders doing the treading and the Japanese the milling?¹⁸

Certainly, such a view comes from the more radical end of the spectrum of analyses of Japanese aid to the region, but it does raise an important issue: what, officially, was the role of aid in encouraging private enterprise? That answer comes through clearly in Japan's annual reviews of ODA. The growth of the private sector, it was noted, was 'vital' to the long-term economic growth of developing nations. The focus of DAC forums on the importance of foreign investment to economic development was used to justify Japan's stance:

¹⁸ C. Burgoyne, "Japanese Pacific Aid Suspect", Pacific World: An International Quarterly on Peace and Ecojustice, Volume 19, May 1991, p.13 For a further example of criticism of the centrality of commercial considerations in Japan's aid policy to the region, see W.R. Nester, Japan and the Third World: Patterns, Power, Prospects, London: Macmillan, 1992, p.277

In this context, many commentators have started to emphasise the ‘catalytic effect’ of development aid. The use of aid to develop infrastructure, which is vital for private-sector investment and other environmental improvements, stimulates private-sector investment in the developing countries and also makes a major contribution to the growth of industry. Private-sector business activity, whether by foreign or domestic enterprises, is vital to the development of developing countries. Asia’s experience has verified the potential of ODA to contribute to the establishment of the necessary conditions, and due emphasis should be placed on this fact.¹⁹

While economic development requires private investment, foreign investment does not necessarily lead to economic benefits for developing nations. This interpretation of the benefits of investment conveniently overlooks this point. It suggests, moreover, that in the context of aid to the region, Japan was well aware of the potential benefits to its own businesses. The extent of lobbying from Japan’s fishing industry for increased aid throughout the Cold War era highlights the connection between aid and investment, although as will be shown, Japan’s interest in the region, from an investor’s perspective, was not limited to fish alone.

4.2.3 Aid and land-based resources:

It has been shown that the need for fishing access agreements helped shape Japan’s South Pacific aid programme. It is necessary,

¹⁹ Ministry of Foreign Affairs, Japan’s Official Development Assistance Annual Report, 1990
Tokyo: Ministry of Foreign Affairs, 1990, p.20

however, to pay attention to the acquisition of other resources that influenced the nature of Japanese aid policy to the region. The 1973 Oil Crisis, it has been argued, “alerted Japanese officials to a policy blind spot to the South and stimulated ‘resource diplomacy’ to secure minerals and timber from Papua New Guinea, Solomon Islands and New Caledonia.”²⁰ The potential for undersea mineral exploitation, which will be discussed in Chapter Five, it needs to be pointed out, certainly must have had a bearing on Japanese policymakers during this time, even though the technology to make such mining economically viable did not exist during the Cold War era.

A closer examination of the trade relationship with Papua New Guinea and the Solomon Islands reveals much about Japan’s motivations in the region.

Table 2: Japanese Trade with Papua New Guinea and the Solomon Islands, 1980-1994 (\$US m):

| Year | Exports to PNG | Imports from PNG | Trade Balance | Exports to Solomon Islands | Imports from Solomon Islands | Trade Balance |
|------|----------------|------------------|---------------|----------------------------|------------------------------|---------------|
| 1980 | 167.2 | 405.2 | -237.2 | 12.8 | 27.7 | -14.8 |
| 1981 | 178.1 | 328.1 | -150.0 | 8.7 | 34.0 | -25.2 |
| 1982 | 127.4 | 286.3 | -158.9 | 8.3 | 42.9 | -34.6 |
| 1983 | 141.5 | 322.2 | -180.6 | 14.9 | 35.2 | -20.3 |
| 1984 | 141.5 | 283.9 | -142.3 | 15.1 | 42.0 | -26.8 |
| 1985 | 133.5 | 251.5 | -118.0 | 16.0 | 43.2 | -27.2 |

²⁰ S. Hoadley, *The South Pacific Foreign Affairs Handbook*, North Sydney, NSW: Allen and Unwin in association with the New Zealand Institute of International Affairs, 1992, p.44

| | | | | | | |
|------|-------|-------|--------|------|------|-------|
| 1986 | 137.5 | 294.5 | -156.9 | 19.7 | 30.8 | -11.1 |
| 1987 | 180.3 | 398.1 | -217.8 | 18.2 | 29.2 | -11.0 |
| 1988 | 208.8 | 564.6 | -355.7 | 16.9 | 32.3 | -15.3 |
| 1989 | 202.6 | 542.2 | -339.6 | 31.2 | 38.7 | -7.8 |
| 1990 | 138.9 | 332.6 | -193.7 | 18.7 | 41.7 | -23.0 |
| 1991 | 163.0 | 319.0 | -156.0 | 23.0 | 31.0 | -8.0 |
| 1992 | 167.0 | 367.0 | -200.0 | 21.0 | 49.0 | -28.0 |
| 1993 | 189.0 | 606.0 | -417.0 | 13.0 | 83.0 | -70.0 |
| 1994 | 179.0 | 661.0 | -482.0 | 17.0 | 79.0 | -62.0 |

Source: K. Monden, Japanese Interests within the South Pacific, Wollongong: University of Wollongong, 1996 (Research Essay), pp.58 and 71

The table illustrates that the trade relationship between Japan and the Solomon Islands is in Japan's favour, with imports outweighing exports in all years. What the table does not show, however, is the extent to which aid is used as a mechanism to gain favourable access for Japanese industry to the natural resources of both countries. With the statistics that exist, it would be almost impossible to quantify the relationship, though doubtless one exists.²¹

A look at the nature of exports and imports further assists an understanding of what Japan wanted from the region. Papua New Guinea exports to Japan, in the late 1980s, consisted almost entirely of raw materials (96.4%), of which copper (68.7%) and timber (19.9%) dominated. Similarly, the Solomon Islands exports were dominated by

timber (59.5%), though fish products at 15.3 percent were greater than for Papua New Guinea at just 3.2 percent. Japanese exports to Papua New Guinea and the Solomon Islands were comprised overwhelmingly of machinery and vehicles.²² Throughout the region, a wide range of resources were destined for Japan, not merely fish, and these vary greatly from country to country.²³ As a consequence of the different resource base of Pacific Island countries, Japanese trade volumes with the region vary enormously, from the larger resource producing nations including Papua New Guinea, New Caledonia, and the Solomon Islands to those less blessed by nature. In all, Japan's exports to the region totalled US\$1.3b against US\$839m in imports in 1988.²⁴

Between 1977 and 1989, therefore, Japan had come to see the region as a key source for a number of resources other than fish. Fish had in many respects renewed Japan's interest in the region during this time, which in turn created an awareness of the other resources, particularly minerals and trees. From a rather small trading relationship with the South Pacific countries prior to the 1970s, things changed

²¹ Tony Siaguru, the leader of the League for National Advancement in Papua New Guinea, for example, is critical of the link between aid and access to his country's resources. See W.R. Nester, Japan and the Third World: Patterns, Power, Prospects, London: Macmillan, 1992, p.277

²² K. Monden, Japanese Interests in the South Pacific Region, Wollongong: University of Wollongong, 1996 (Research Essay), pp.52-84

²³ For example, sugar constitutes about half of Fiji's exports to Japan, while a similar ratio of Vanuatu's exports to Japan comes from meat.

²⁴ W.R. Nester, Japan and the Third World: Patterns, Power, Prospects, London: Macmillan, 1992, p.274

quickly. In many respects, the trend in Japan's aid levels to the region mirror its increased trade relations, and such a trend is not coincidental, suggesting further that the link between aid volumes and commercial benefits for the donor was very much in evidence. Japanese aid to Papua New Guinea and the Solomon Islands, respectively, increased from US\$3.7m in 1982 to US\$36m by 1989, and from US\$4.7m in 1987 to US\$14.3m by 1989.²⁵ In addition, Fijian exports to Japan increased from US\$10m in 1983 to a high of US\$40m by 1987, which was accompanied by vastly increased aid which lends further weight to the argument that aid and trade were linked.²⁶

4.3 SECURITY MOTIVATIONS:

4.3.1 'Comprehensive Security' and Aid's role within it:

While it was the issue of fishing access that saw Japan become an aid donor to the region in the 1970s, a move away from commercial considerations towards broader foreign policy initiatives, particularly for Japan's own and the West's security, played a major role in increased aid volumes. The link between purely commercial considerations and other motivations behind Japan's ODA programme, in the Pacific context, stem in part from a major component of Japanese

²⁵ K. Monden, pp.61,75

²⁶Ibid, pp.64-68

security, adhered to by successive post-war governments: attaining self-sufficiency in food production. This in itself is indicative of the multi-dimensional nature of aid policy.

The philosophy behind aid evolved quickly and this helps to explain the increase in Japanese aid to the region from the late 1970s until the end of the Cold War. Third World resource diplomacy, particularly the 1973 Oil Crisis and the creation of EEZs, coupled with growing pressure from Western allies, particularly the United States, to play a greater role in world affairs, were to have a major impact on Japanese foreign policy makers at the time. Increases in Japanese aid to the region can, in part, be understood against the backdrop of these developments.

In the 1970s, ODA became a central component in Japan's nascent 'peace diplomacy' as a non-military means of support for the Western defence effort. In the post-war era, the Japanese government relied on the United States for its defence under the Treaty of Mutual Cooperation and Security, as Japan was precluded from maintaining military forces under its own Constitution. In this respect, the changing role of the United States in the international arena, characterised by defeat in Vietnam and subsequent military withdrawal from the Southeast Asian mainland, led to increasing pressures on Japan to

assume more responsibility for its own defence, as well as that of the West.

It was in the late 1970s that the broad-based policy of 'comprehensive national security' first emerged. Significantly, it marked the beginning of a change in Japan's ODA philosophy to the region, away from fishing access, to a more political orientation, with the promotion of its own security becoming an important basis for aid. At the time, the link between ODA and security was ambiguous and ill-defined and appeared to be a rationale mainly articulated for the benefit of foreign audiences and allies, whereas the link between ODA and economic security fitted more easily into Japan's established approach to 'economic cooperation'.²⁷ Moreover, the relationship between comprehensive security and economic cooperation was confusing. It was not clear whether comprehensive security was the overriding framework for aid policy, or one component within an 'overall philosophy of economic cooperation'.²⁸ Comprehensive national security was an evolving policy, however, which was finally drafted in 1989, which accounts for the confusion that surrounded it when it was first articulated in the late 1970s.

²⁷ S. Tarte, Japan's Aid Diplomacy and the Pacific Islands, p.26

²⁸ D. Yasutomo, The Manner of Giving: strategic aid and Japan's foreign policy, Lexington: Lexington Books, 1986, p.32

‘Comprehensive security’ should be seen as a complex concept, which incorporated trade, aid and diplomatic policies alongside defence policies, into a foreign policy framework designed to meet Japan’s as well as Western security interests. For Japan, economic and military security came to be seen as very much interrelated goals, which could be safeguarded by minimising Japan’s reliance on its trading partners while maximising their dependence on Japan. As Nestor argues, Tokyo actively sought to spread its sources of foreign markets and resources as widely as possible, while making other nations dependent on Japanese products, finance, technology and markets.²⁹ Whether Nestor was entirely correct matters little. What it does suggest, however, was the degree to which Japan used aid as an instrument by which it sought to fulfil a number of different, though often inter-connected, foreign policy goals.

An equally integral part of ‘comprehensive security’ was the substitution of aid for military efforts. With pacifist elements having a significant voice in Japan’s government since the end of World War II, this is hardly surprising. In part, this pacifism stems from a realisation that the potential cut off of oil and foodstuffs and the protectionist closure of overseas markets posed a greater threat to Japan than an unlikely military invasion. In this respect, aid, as a means of ensuring

²⁹ W.R. Nestor, *Japan and the Third World: Patterns, Power, Prospects*, London: Macmillan, 1992, pp.278-279

access to markets, was to emerge as a central component of Japanese foreign policy.

The final component of the evolving policy of 'comprehensive security' that needs to be noted was the desire to use aid to encourage political stability in the South Pacific as a means of protecting some of its most important shipping lanes and its vulnerable southern flank. In this respect, aid functioned as a non-military countermeasure in preventative diplomacy.³⁰

4.3.2 The Kiribati-Soviet Union Fishing Agreement, 1985

As has been seen, the increased Japanese aid to the region in the 1980s, while part of a major shift in its aid philosophy worldwide, was also a response to developments in the South Pacific at the time. It is profitable, therefore, to look more closely at what was happening in the region in the 1980s to assist an understanding of the increased aid volumes that followed.

The fishing agreement between Kiribati and the Soviet Union in 1985 had a significant bearing on Japan's attitude to the region. Moscow had attempted, in the late 1970s and early 1980s, to sign fisheries agreements with Papua New Guinea, Fiji, Tuvalu and the

³⁰D. Yasutomo, "Why Aid? Japan as an 'aid great power'", *Pacific Affairs*, Volume 62, Winter 1989/90, p.494

Solomon Islands, but the influence of their colonial and former colonial rulers successfully prevented any deals. When, however, in October 1985, the government of Kiribati reached a fishing agreement with the Soviet fishing company, *Sovryflot*, it came as a shock to Western observers. Kiribati's independence from Britain in 1979 virtually coincided with the exhaustion of its phosphate deposits. While phosphate was being mined, the rest of the economy was left largely undeveloped.³¹ Because of its tiny landmass, poor soil and low rainfall, Kiribati government planners saw the main potential for post-independence development from its abundance of fish stocks within its massive EEZ, which comprised about 3,000,000 square kilometres. Following independence, Kiribati initiated fishing licensing agreements with Japan, South Korea and the American Tunaboats' Association, although the latter expired at the end of 1984 and no succeeding agreement was reached in 1985. The importance of licensing fees as a source of government revenue, meant that Kiribati was prepared to accept offers from elsewhere. Moreover, the United States' insensitivity to the rights of a small island state by continuing to fish illegally, the potential for income generated by fees to act as an alternative to aid,

³¹ At the time, 85 percent of export earnings, 45 percent of GDP and over 50 percent of Government revenue came from phosphate. U.F. Neemia-Mackenzie, "Russophobia and Self Determination", in R.Walker and W.Sutherland (eds), The Pacific: Peace, Security and the Nuclear Issue, Tokyo: UN University Studies on Peace and Regional Security, United Nations University, 1988, p.196

especially tied aid, and the desire on the part of a newly-independent government to pursue its own interests, were additional factors behind the Kiribati-Soviet agreement.³²

Despite the fact that the Kiribati-Soviet fishing agreement existed only for a year, with the official reason being that the Soviet Union was unwilling to pay the level of fees sought by Kiribati, it proved to be something of a watershed. Soviet inroads into Micronesia were a grave concern for the United States, and so the fishing agreement with Kiribati challenged a cornerstone of US policy in the region, 'strategic denial' of access to unwelcome nations. The success of such a policy depended on keeping the island nations as client-states of the United States or its allies. According to Pentagon officials, the Soviets were not interested in the economic return that fishing in Kiribati waters offered, and they argued instead that Soviet motives were politico-strategic. Soviet trawlers, it was argued further, were regularly used for intelligence collection, and Kiribati's location was apparently ideal for such a purpose.³³

Whatever the actual Soviet motives were, there emerged a consensus that more attention needed to be paid by Western allies to prevent unfriendly foreign nations encroaching on the region in the

³² U.F. Neemia-Mackenzie, pp.196-197

³³ The United States had a MX missile testing ground on the nearby Marshall Islands, while a space tracking station was also situated close by, on Canton Island. The security of both, it was believed, could easily be compromised by Soviet surveillance.

wake of the Kiribati-Soviet fishing agreement. When Libya's courting of Vanuatu, and the latter's own fishing agreement in 1986 with the Soviet Union are also taken into consideration, fears were raised that a newly-independent South Pacific nation might follow Cuba or Malta in establishing a regime hostile to Western interests that might undermine the region's security. The end result was that Australia and New Zealand increased their aid levels to the former British colony, and the U.S. became involved in this capacity for the first time. Of the greatest significance, however, was Japan's role in establishing itself as Kiribati's major aid donor.³⁴

To a large extent, the United States was responsible for encouraging the increased influence of Japan in Kiribati and the rest of the region. In June, 1986, then U.S. Secretary of State, George Shultz, met with the Japanese Foreign Minister, Shintaro Abe. At their meeting in Manila, Shultz had emphasised the need for Japan to counter the Soviet Pacific drive by increasing its economic assistance to the region. The U.S., Shultz argued, could not do so given the tense relationship between it and the South Pacific island nations over the issues of nuclear policy and fishing agreements, and because of the budgetary

³⁴ Although the levels of Japanese grant aid vary greatly from year to year, in the case of Kiribati, the construction of a major causeway followed in 1985 as a result of its entry into the fishing agreement with the Soviet Union. Japan had previously declined the project on the grounds that it was too expensive and unnecessary. Other large infrastructure projects followed, including the construction of a new central hospital, at the cost of close to 500 million yen in 1989.

limitations that the U.S. was facing.³⁵ At the time, significantly, U.S.-Japanese trade relations were in an especially problematic phase, and the potential for aid to mitigate economic friction with trading partners was not lost on Japan.

4.3.3 The Kuranari Doctrine:

In 1987, Japanese Foreign Minister, Tadashi Kuranari, visited the South Pacific region, and his speech in Suva gave rise to what became known as the Kuranari Doctrine. The doctrine itself was the articulation of Japanese policy towards the region, and was heralded as a new beginning in the relationship between Japan and the Pacific Island countries. His visit signalled that Japan's post-war quest to regain a place in the international arena and to rebuild ties with neighbouring countries had finally reached the South Pacific. The doctrine itself was a direct response to the conclusion of Soviet fishing access agreements with Kiribati and Vanuatu. It emulated U.S. policy in that aid was viewed as a way to preempt further intrusions by the Soviet

³⁵ The United States was clearly worried by the anti-nuclear policies prevalent in the region in the early to mid 1980s, which were viewed as undermining Western strategic interests and advancing the interests of the Soviet Union. The regional South Pacific Nuclear Free Zone Treaty (SPNFZ) adopted in 1985, the anti-nuclear constitution in the US Trust Territory of Palau, Vanuatu's anti-nuclear and non-aligned posture, the New Zealand Labour government ban on nuclear powered and armed ship visits in 1985 (which led to the abrogation of ANZUS), and an anti-nuclear Fijian Labour Party after 1985 showed the depth of anti-nuclear feeling in the region at the time.

Tension between the region and the United States grew out of the latter's unwillingness to recognise coastal state sovereignty over tuna which resulted in the US tuna industry's failure to comply with licensing conditions set by the Pacific Island states. From the early 1980s, US policymakers recognised that the issue had the potential to push the island states into closer relations with the Soviet Union. The issue was resolved in 1986 when the US government concluded a multilateral access agreement with the region, largely as a response to the Soviet fishing agreement with Kiribati (1985), and Vanuatu (1986).

Union in the region. The antecedents of the doctrine included pressure on Japan to assume a greater aid presence in the region, overtures by the South Pacific Forum to Japan for more economic assistance, and the influence of Japanese Prime Minister Nakasone. Under him, Japan's aid policy had developed an increasing politico-strategic rationale as an instrument of 'comprehensive security'. He was to provide the necessary leadership and political will to embrace strategic aid openly as part of a forthright foreign policy posture.

Kuranari's speech advanced five principles on Japan's future relation with the region.³⁶ The concern for 'political stability' in the region needs closer examination. It should be seen as a concern for keeping the Soviet encroachment to a minimum, rather than a means of preventing domestic instability within the region. Japan's response to the Fiji coups of 1989, for example, helps illustrate this point. Japan was much less critical than Australia and New Zealand, and no suspension of aid followed.³⁷ This suggests that Japan's concern for the security of the region was somewhat narrow. Inroads from powers that the Western Alliance feared, particularly the Soviet Union, were, after

³⁶ The promotion of bilateral relations and respect for countries' 'autonomous initiatives'; support for regional cooperation and strengthening of dialogue with the South Pacific Forum; preservation of political stability in the region; provision of economic assistance; and the building of mutual understanding.

³⁷ See, for example, S. Tarte, *Japan's aid and the Pacific islands*, pp.179-181 or S. Hoadley, *The South Pacific Foreign Affairs Handbook*, p.44

all, the driving-force behind Japan's conception of strategic aid as it related to the South Pacific during the Cold War era.

Kuranari's speech alluded to an expansion of bilateral aid levels, but the reality is somewhat different, as the following table suggests.

Table 3: Japanese grant aid to Pacific island countries, 1988-93 (million yen)

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|-------------------------|-------|-------|-------|-------|-------|-------|
| Fiji | 245 | 352 | 52 | 1,146 | 1,043 | 68 |
| Kiribati | 130 | 1,011 | 630 | 1,183 | 107 | - |
| Marshall Islands | 648 | 599 | 337 | 375 | 588 | 148 |
| FSM | 515 | 672 | 824 | 749 | 1,130 | 1,193 |
| Palau | 330 | 493 | 414 | 404 | 469 | 691 |
| PNG | 2,129 | 2,126 | 1,839 | 1,888 | 1,739 | 1,243 |
| Solomon Islands | 897 | 1,018 | 909 | 4 | 122 | 1,041 |
| Tonga | 270 | 824 | 613 | 548 | 517 | 671 |
| Tuvalu | 107 | 146 | - | 396 | 3 | - |
| Vanuatu | - | 1,115 | 352 | 4 | 6 | 6 |
| Western Samoa | 690 | 925 | 674 | 854 | 1,457 | 1,342 |
| | | | | | | |
| Total | 5,961 | 9,281 | 6,644 | 7,551 | 7,181 | 6,403 |

Source: S. Tarte, *Japan's aid diplomacy and the Pacific islands*, Suva: Institute of Pacific Studies, University of the South Pacific, 1998, p.178

Certainly, a short-term rise in bilateral grant aid followed with an increase of some 75 percent between 1987 and 1989, while technical assistance rose 42 percent in these years, from 2.2 to 3.1 billion yen. Tarte argues that this was because of the protracted project cycle in Japan which meant that the impact of Kuranari's initiatives were not

felt in 1987, but over the ensuing two years.³⁸ The recipient request-based nature Japanese aid, to a large extent, accounted for the variation between years, with 1989 being a year in which an unusually large number of large-scale grant aid projects were funded. While that is certainly true, the reduction in Japanese aid to the region after 1989, the year that symbolises the end of the Cold War, suggests that broader strategic concerns, most notably Soviet inroads, played a significant role. Tarte's claim that the declining levels after 1989 was a reflection of the short-lived political interest in the region, is difficult to accept, as will be highlighted in Chapter Five.

4.4 JAPAN'S INTERNATIONAL REPUTATION:

The above discussion of the Kuranari Doctrine, in terms of Japan's security concerns, does not entirely do justice to the complexity of motivations behind Japanese aid to the region. It has been shown that Japan was heavily influenced by the United States to contribute more aid to the region in terms, and to share the 'burden' of the Western Alliance's efforts to prevent the expansion of Soviet activities in the South Pacific in the late 1980s. In the 1970s, however, Japan's decision to increase its aid volumes world-wide was inspired, in part, by how other nations perceived it. In 1974, anti-Japanese riots in some

³⁸ S. Tarte, *Japan's Aid Diplomacy and the South Pacific*, p.178

Southeast Asian capitals greeted Prime Minister Kakuei whilst on official visits. These demonstrated not only the lingering animosity for Japan still evident in the region after the Second World War, but also the tension between using aid to promote Japan's economic interests while attempting, ostensibly, to building goodwill with recipient countries.

Furthermore, pressure by the international donor community for Japan to contribute more aid as a percentage of GDP, given its persistent current account surpluses since the 1960s, was to heavily influence Japanese aid policy. In 1977, Prime Minister Fukuda pledged that Japan would double its ODA within three years, as a direct response to a need for Japan to improve its reputation as an aid donor. This goal was realised in 1980, and subsequent doubling plans were achieved between 1981-1985 and 1986-1992 (completed by 1988). Such growth in aid volumes was accompanied by much rhetoric on 'burden-sharing' and 'international obligations and responsibilities' and a desire on the part of Japan to show 'aid leadership'.

The fusion of Japanese economic interests with foreign policy objectives after the late 1970s, signalled the massive growth in Japan's foreign aid levels worldwide. This was a major departure from early Japanese aid in the 1950s which focused almost entirely within Asia, for the purposes of acquiring the much needed resources and trade for

its own 'economic miracle'. By 1979, Japanese aid increased almost exponentially to a level of US\$2.6 billion. Ten years later, that figure stood at US\$9.134 billion, an almost four-fold growth.³⁹ Indeed, by the end of the 1980s, Japan was on the verge of superseding the United States as the world's largest aid donor. In short, the rapid rise of economic assistance levels was, arguably, the most striking development in Japanese foreign policy since the end of World War II.

The momentum in Japan towards 'aid leadership' worldwide, along with security and commercial motivations, as shown, were to shape Japan's aid to the South Pacific after 1977, although the latter would not have been possible if aid did not have domestic support in Japan. It is estimated that 80 percent of the Japanese public supported maintaining or increasing aid volumes in the Cold War era. They were to take great satisfaction from seeing Japan emerge as a 'great aid power' because of their strong pacifist spirit, a growing sense of nationalism at the time and the extent of support for a greater Japanese role in world affairs.⁴⁰

³⁹ A. Rix, "Japan's foreign aid policy: a capacity for leadership?", *Pacific Affairs*, Volume 62, Winter 1989/90, p.461

⁴⁰ D. Yasumoto, "Why Aid? Japan as an 'aid great power'", *Pacific Affairs*, Volume 62, Winter 1989/90, p.497

4.5 CONNECTION TO REGION:

It should be noted that if Japan did not have an affinity with the South Pacific, it probably would not have given aid to the region to the extent it did during the Cold War period. Chapter 2 highlighted Japan's involvement in the region which began in the late seventeenth century. Commercial gain dominated the increased contact of Japanese nationals with Micronesia after that time, but security interests also played a part in Japanese thinking after 1880, and from the start of the twentieth century, Japan took over the running of the former German Micronesian possession of the Marshalls, Marianas and Carolines. By 1935, there were twice as many Japanese nationals residing in Micronesia than there were Micronesians. After the Second World War, however, Japan was stripped of its Micronesian possessions. A need to rebuild itself in the wake of the war and a sense of anger for its wartime activities in the region saw Japan turn its attention elsewhere. Thereafter the region gained little attention from Japan, until the 1970s.

The creation of EEZs and the 1973 Oil crisis returned Japan's focus to the region, as shown, of which "Japan regards itself as a natural member...by virtue of its proximity, insular geography and historical

involvement.”⁴¹ As early as the start of the 1960s, however, Japanese scholars and business leaders proposed a pan Pacific community. In 1967, then Japanese Foreign Minister Takeo Miki began a period of examination of an ‘Asian Pacific policy’ based on increased cooperation and aid programmes, and the need to diversify Japan’s supply of natural resources and markets. Increased diplomatic contact with the South Pacific and the concept of a Pacific free trade area were also mooted at the time.

Though such ideas remained largely dormant for the next decade, they received new impetus in 1978 when Prime Minister Masayoshi Ohira advocated a ‘Pacific Rim Community’. The Pacific islands were not included in the first Pacific Economic Cooperation Conference that followed in 1980 to discuss the idea, but thereafter they were incorporated into Japan’s pan-Pacific diplomacy. The economic and political stability of the region, from Prime Minister Nakasone’s perspective, had the potential to affect the stability of the entire Pacific basin in the years leading up to Kuranari’s historic speech in 1987.⁴² The region, therefore, had become integrated within Japan’s broader economic and political interests, but without Japan’s previous

⁴¹ S. Hoadley, The South Pacific Foreign Affairs Handbook, p.43

⁴² S. Tarte, Japan’s Aid Diplomacy and the South Pacific, p.153

involvement in the region prior to the Second World War, it could be argued that the extent of aid to the region might well have been less.

4.6 HUMANITARIAN MOTIVATIONS:

It would be wrong to argue, however, that self-interest exclusively motivated the Japanese aid programme to the South Pacific in the Cold War years. Security and economic concerns, and the issue of international prestige had, to a large extent, dictated Japan's aid philosophy to the region, but humanitarian considerations also played a central role in the development of this philosophy after 1975.

Japan's international reputation, as well as the support for its aid 'leadership' among Japanese people, no doubt required the aid programme to be based on a concept of development. In many ways, a uniquely Japanese conception of how a country could 'develop' emerged as a legacy of Japan's own experience. Support for 'economic take-off' inspired by development theorists, in particular the writings of W. W. Rostow,⁴³ was a central aspect of Japan's aid philosophy as it

⁴³ Rostow's seminal work, Stages of Economic Growth, was highly influential in the emergence of development theory which thereafter has been a driving-force behind the programmes of aid donors to the Third World. He believed that all societies evolve through five stages to self-sustaining economic growth: "traditional society with a characteristically low level of technology and productivity; a transitional stage for satisfying the 'preconditions' for change; the 'takeoff' stage when structural constraints to industrialization have been removed and an entrepreneurial class has emerged; the drive to maturity when industrialization is well under way and the levels of technological development and productivity are high; and the society of mass consumption when there is general abundance and society has moved beyond basic needs to the consumption of durable

was for other DAC members. By rebuilding itself after World War II, Japan learnt a valuable lesson that core infrastructure and industry were essential prerequisites to development, which in turn accounted for why Japan preferred to fund large-scale infrastructure projects in the South Pacific, and elsewhere. The belief that developing countries themselves are ultimately responsible for their own development and that they must take initiative in their own development has always been a notable feature of Japan's aid diplomacy.⁴⁴ This, therefore, accounted for the 'request-based' nature of Japanese aid, again evident in its dealings with the region.

An examination of Japan's ODA Annual Reports reveals that "Japan's basic reason for providing aid to the developing countries is that these countries are impoverished and are in need of assistance from richer countries."⁴⁵ Humanitarian considerations, broadly defined as 'working earnestly' towards the achievement of social and economic development, and the 'recognition of interdependence' (of nations), it is

goods." C. Ake, "Development and Underdevelopment" in J. Krieger (ed), The Oxford Companion to Politics of the World, New York: Oxford University Press, 1993, pp.239-243

⁴⁴ A recent DAC assessment of Japan, Development Cooperation Review of Japan, (<http://www.oecd.org/dac/htm/ar-japan.htm>) provides a useful summary of the history of Japan's aid philosophy. Of interest, it is noted that Japan's belief in 'self-help' on the part of aid recipients was partially attributable to the fact that Japan's own attempts to develop, from the Meiji era onwards, while necessitating the use of Western advisors, were controlled by Japanese nationals.

Japan's non-interventionist stance in the domestic affairs of recipient nations, it is noted, stems from the fact that it invaded several Asian countries this century.

⁴⁵ Ministry of Foreign Affairs, Japan's Official Development Assistance Annual Report, 1990, p.3

noted, are the central tenets of a Japanese aid ‘philosophy’.⁴⁶ The acknowledgement that aid was ‘closely and inextricably’ linked to Japanese foreign policy interests, and that aid was ‘substantially influenced’ by changes in the international political situation, should come as no surprise.⁴⁷

By the end of the Cold War, therefore, Japan’s South Pacific aid programme had been influenced by a number of different, though inter-related goals. In Japan’s case, ODA could no longer be “compartmentalized into clear-cut categories, such as economic-commercial, political-diplomatic [or] strategic...it is now all of these and more.”⁴⁸ The complexity of Japanese aid is perhaps best summed up by the view espoused by its Ministry of Affairs:

The basic principles of Japan’s aid philosophy are humanitarian considerations and the recognition of interdependence. This is not to say that these two principles are the only reasons for providing aid...Japan as a wealthy nation has a responsibility towards countries that are less developed...Japan achieved prosperity with the support of the international community and under favourable international conditions and should therefore repay society...Japan should match the other aid contributions of other advanced nations from a viewpoint of international harmony....

⁴⁶ Ministry of Foreign Affairs, Japan’s Official Development Assistance Annual Review 1990, p.16

⁴⁷ Ibid. pp.5-6

⁴⁸ D. Yasutomo, “Why Aid? Japan as an ‘aid great power’”, Pacific Affairs, Volume 62, Winter 1989/90, p.503

In addition to this basic philosophy...Japan's position as an economic superpower, its status as the world's leading creditor nation and the nation with the largest surplus, its high level of dependence on other countries, its commitment to peace, and its position as the only non-Western developed nation as reasons why Japan should provide aid.⁴⁹

This official stance highlights the plethora of rationales which made aid such a key aspect of Japan's foreign policy. Perhaps understandably, it neglected to highlight the trading benefits to Japan that aid helped bring about which largely shaped its aid to the South Pacific region in the late 1970s. While being a comment on Japanese ODA programmes everywhere, Japan's efforts in the region were heavily influenced by this ethos. The South Pacific, after all, was but a tiny component of Japan's aid regime that was to become the world's largest.

⁴⁹ Ministry of Foreign Affairs, Japan's Official Development Assistance Annual Report, 1990, p18

CHAPTER FIVE:
JAPANESE AND AUSTRALIAN FOREIGN
IN THE POST-COLD WAR ERA

5.1 INTRODUCTION:

Having now established the key motivations of Australian and Japanese aid during the Cold War era, it is now profitable to examine the changes that have occurred since. Chapter One highlighted how the Cold War dramatically increased the strategic importance of the South Pacific. It produced for the region's states what one commentator labelled 'a devil's bargain'.¹ Chapters Three and Four indicated the range of motivations behind the aid programmes of Australia and Japan, respectively. The centrality of security motivations in the aid philosophies of both donors was addressed. The utilisation of ODA to curb Soviet inroads into the region, and the perceived threats to both Japan and Australia that could result from the establishment of a 'hostile regime', were noted.

After the Cold War, however, the significance accorded to the region, from the perspective of the Western Alliance was to decline. In the decade since, Australia and Japan have remained the region's two largest aid donors. It is necessary to examine to what extent the aid programmes of each donor have changed in the 1990s. It must be noted that in terms of aid motivations, the major categories (Commercial, Security, International Reputation, Regional Affinity and

¹ J. Dalton, p.2

Humanitarianism) have remained. Rather than dealing with all of them again, this chapter will highlight the changes more than the continuities.

Table: Japan's ODA Disbursement to South Pacific, 1986-97(\$USm)

| Country | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|--------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Cook Is. | 2.2 | 0.3 | 0.2 | 0.2 | 0.3 | 0.5 | 0.5 | 0.4 | 0.5 | 0.6 | 0.3 | 0.1 |
| Fiji | 11.0 | 10.3 | 9.0 | 7.5 | 9.0 | 8.2 | 16.3 | 20.3 | 11.2 | 13.9 | 18.6 | 17.0 |
| Kiribati | 4.3 | 6.5 | 5.3 | 5.3 | 9.4 | 7.3 | 13.9 | 5.4 | 3.5 | 4.2 | 4.5 | 6.7 |
| Nauru | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | 0.5 | 0.4 |
| PNG | 10.4 | 17.6 | 43.1 | 39.6 | 38.0 | 42.3 | 87.9 | 27.4 | 21.8 | 46.1 | 98.2 | 49.2 |
| Solomon Is. | 0.9 | 4.6 | 13.8 | 14.2 | 8.6 | 10.8 | 8.0 | 26.4 | 16.0 | 17.1 | 18.2 | 21.0 |
| Tonga | 3.6 | 5.1 | 3.5 | 5.3 | 10.1 | 3.4 | 5.9 | 12.1 | 8.7 | 14.3 | 11.5 | 8.0 |
| FSM | - | 5.3 | 1.7 | 6.7 | 6.9 | 11.6 | 10.3 | 15.2 | 17.0 | 18.2 | 8.7 | 12.8 |
| Marshall Is. | - | 4.8 | 4.0 | 5.1 | 6.5 | 3.9 | 5.3 | 5.4 | 3.0 | 5.7 | 13.7 | 5.5 |
| Palau | - | - | 2.1 | 4.8 | 0.5 | 3.9 | 5.1 | 4.2 | 7.2 | 9.5 | 4.0 | 13.8 |
| Tuvalu | 0.0 | 0.2 | 0.3 | 2.5 | 1.0 | 0.5 | 3.5 | 0.2 | 1.3 | 1.5 | 4.6 | 6.7 |
| Vanuatu | 1.1 | 5.5 | 3.7 | 2.9 | 8.1 | 5.8 | 1.1 | 1.9 | 11.6 | 12.8 | 2.2 | 2.8 |
| W. Samoa | 9.1 | 6.9 | 7.6 | 6.0 | 9.2 | 10.0 | 6.8 | 15.8 | 22.7 | 14.6 | 14.3 | 10.0 |

Source: Japanese Ministry of Foreign Affairs, Japan's Official Development Assistance Annual Review (various years)

5.2 JAPANESE COMMERCIAL MOTIVATIONS:

5.2.1 Fisheries Grant Aid

Commercial motivations, as they were in the Cold War, remain a key determinant of Japanese ODA to the region. A demand for access to fish continued, although favourable terms of agreements have become more difficult to obtain. From Japan's perspective, access agreements had been easier to negotiate in the 1970s. After the Forum Fisheries Agency signed a multilateral access agreement with the

United States in 1987, and with more foreign nations vying for access rights in the region, Japan found itself under greater pressure at the negotiation table. As has been seen, Japan favoured bilateral dealings in the region, a long-established feature of its aid programmes world-wide, because of its position of strength. It was, consequently, opposed entering into a multilateral accord with the region, via the Forum Fisheries Agency. In essence, this was because it feared that a common regional negotiating stand would prove vastly more effective than bilateral dealings and would, as a result, lead to increased access costs for its own vessels.²

The changing nature of access negotiations, therefore, led to a modification of Japan's fisheries grant aid after the late 1980s. Rather than giving in to pressure to sign a multilateral fisheries access agreement with the Forum Fisheries Agency, and as a means of placating opposition, Japan introduced several new fisheries initiatives principally aimed to increase the benefits of, and support for, existing bilateral access agreements.³ They should be seen as a blatant attempt to

² Japan, it should be noted, was not opposed, in principle, to multilateral negotiation. Japan, in fact, wanted to see the formation of a regional fisheries organisation that would include the major distant-water fishing nations which were prominent in the region. In essence, Japan wanted such a body created as a means to counterbalance the collective strength of the Forum Fisheries Agency in negotiations over fisheries-related issues, particularly access agreements and the resource management.

³The first of these was small-scale fisheries grant aid. It was designed to fund projects smaller than the usual grant aid projects, which could only be granted annually, and as such the new-found Japanese flexibility of negotiation served to appeal to the smaller countries of the region.

The second was the Fisheries Development Assistance for Pacific Island Nations project. It was specifically created for the region (a major concession in itself), and aimed to carry out maintenance and repair of fisheries equipment and infrastructure provided under grant aid.

perpetuate bilateral negotiation, as only countries with existing bilateral fisheries access agreements with Japan would be eligible for them. Moreover, because these initiatives were to be granted in addition to standard larger-scale fisheries infrastructure projects, they should be judged as a further means by which Japan tried to undermine the Forum Fisheries Agency. In any event, they highlight the degree of response by Japan to changing circumstances. As a donor not prone to radical departures from its rigid aid delivery mechanisms, these measures are indicative of the importance it placed and continues to place on the region's fisheries.

Japan's modification of its fisheries-related aid went further and is additional proof of the extent to which it was prepared to adapt to achieve its aims. Japan's global record on environmental matters had been by no means laudable. From its opposition to the Law of the Sea, to the issues of whaling, drift-net fishing, and the large numbers of dolphins killed in tuna catches, Japan's reputation had suffered greatly. As a response to international criticism, the increased role environmental aid has played in the programmes of DAC members, and its perception of itself as a 'world leader' of aid donors, Japan ostensibly attempted to improve its environmental record. In 1992, as a

The final initiative, a project titled Technical Cooperation for Fisheries Development, provided up to 150 million yen to promote 'coastal fishing development.' See S. Tarte, *Japan's Aid Diplomacy and the Pacific Islands*, pp.104-111

consequence, a new policy was developed that aimed to promote the management and effective utilisation of fisheries' resources. Such a sudden about-turn towards conservation, it has been suggested, was part of Japan's on-going quest to have a voice in a regional fisheries organisation. A powerful input into the future direction of fishing in the region would result, at a time when environmental concerns and campaigns threaten the closure of fishing grounds not only with EEZs, but also on the high seas.⁴

Whatever its real basis, the fact remains that it is an indication of the extent to which Japan's fisheries grant aid had skilfully developed since the 1970s to meet the changing nature of both the region and the international community. The island nations of the South Pacific still only receive an average of 5 percent of the value of the catch taken by Japanese fishing ventures, whereas the United States, as a consequence of its multilateral access agreement, pays 10 percent.⁵ The use of aid to facilitate favourable access for Japan's fishing fleet, a constant feature of its aid diplomacy, is likely to continue because it has remained highly successful.

⁴ S. Tarte, *Japan's Aid Diplomacy and the Pacific Islands*, pp.140-144

⁵ G.A. Finin and T. Wesley-Smith, "A New Era for Japan and the Pacific Islands: The Tokyo Summit", Pacific Islands Report, *Pacific Islands Development Program/Center for Pacific Island Studies*, Analysis from the East-West Center, University of Hawaii, No.32, September 1997, p.6 (available: <http://pidp.ewc.hawaii.edu/PIReport/Special/aneuera.htm>)

5.2.2 Land-based Resources:

By the late 1990s, Japanese trade with the region had developed to the extent that a Japan had become the most important export market. In all, some 30 percent of total exports from the region found their way to Japan. By this time, the latter was the recipient of the largest share of exports from Papua New Guinea (24 percent), Solomon Islands (43 percent), Tonga (70 percent) and Vanuatu (20 percent). Japan had become the main market for tropical timber harvested in Papua New Guinea, Solomon Islands, and, to a lesser extent, in Vanuatu.⁶ As table 4 suggests, all were major recipients of Japanese aid.

Of particular interest is that Japan's long-term interests in the region are now focused on the resources of the ocean floor, including the enormous deposits of minerals such as manganese, copper and nickel that have been discovered on the seabeds of the central and eastern Pacific. Japan has led the efforts to explore their potential through the investment of more than \$100 million over the last decade. It should be noted, however that the technology needed to profitably extract the minerals is yet to be created, and is unlikely to be in the near future. It is likely though that the potential returns are "...attractive enough to encourage Japan to maintain good relations with the Pacific Island nations which control these resources and the multilateral

organizations that will manage and monitor the mining.”⁷ The use of aid to ‘maintain good relations’, in this respect, seems particularly prudent.

5.3 STRATEGIC MOTIVATIONS:

With the end of the Cold War, as mentioned, the strategic importance of the region went into decline. This is not to argue, however, that the region no longer has an influence on the part of Japanese defence policymakers. With a wide variety of commercial interests in the South Pacific, and the untapped potential that exists on the sea floor, Japan would not want to see political instability or the entry of new and potentially hostile actors. Significantly, Japan is aware of China’s growing diplomatic and economic activities, fuelled in part by a rivalry with an equally active Taiwan. The region contains some of the vital sea lanes used by Japan, and the maintenance of access through the region is essential to the success of Japan as a major trading nation. In the minds of Japanese defence policymakers, therefore, the region still has a strategic importance, although the Soviet threat is no longer the dominant concern.

⁶ G.A. Finin and T. Wesley-Smith, p.6

⁷ Finin and Wesley-Smith, p.4

5.4 JAPAN'S INTERNATIONAL REPUTATION:

In the post Cold War era, Japan along with Australia remained the largest aid donors in the region. The role of other donors has changed quite dramatically, however, during this time. The United States reduced its diplomatic and economic profile south of the equator. With a Soviet threat no longer, its attention shifted to other parts of the world with greater strategic importance. It has implemented planned reductions of its massive subsidies to the Federated States of Micronesia and Republic of the Marshall Islands. In 2001, the compacts of free association which have guaranteed United States' funding to these Micronesian nations will expire. In the 1990s, however, Japan has increased its aid commitments further into Micronesia. The Marshall Islands, for example, receive in the order of US\$4-5 million annually for a range of development projects, mostly fisheries related.⁸ The expansion by Japanese ODA into Palau⁹ and the Federated States of Micronesia further highlights the extent to which Japan is, in a sense, starting to fill the gap created by a gradual United States' aid withdrawal, for reasons of duty to its ally and because of potential economic benefits to Japan.

⁸ M.R. Ogden, "MIRAB and the Marshall Islands", *ISLA: A Journal of Micronesian Studies*, 2:2, Dry Season, 1994 (University of Guam), pp.264-265

⁹ Palau is a voting member of the U.N. General Assembly, and it is quite likely that Japan began as a donor there because of this fact

The influence of Great Britain and other nations has also declined in the 1990s. The former's withdrawal from the South Pacific Commission in 1995, signalled its retreat from its previously large role in regional affairs, although there are indications that it wants to rejoin that institution. Metropolitan actors, particularly New Zealand and France have retained their territories, and while they still have a keen interest in regional affairs, they lack the money necessary to further the level of their engagement. The leaders of these nations generally view Japan's activities as complementing rather than compromising their own interests and agendas because "Tokyo has not demonstrated a desire to translate its considerable de facto influence into an explicit bid for regional dominance...."¹⁰

Japan has, in a sense, continued the 'burden sharing' stance that the United States pressured it into during the 1980s, and its desire to be a 'great aid power'. The opportunity that the theatre of the South Pacific offered an ambitious nation like Japan to display an increased commitment to the international community, as well as a desire to counter China's and Taiwan's increased role, have further strengthened its duty to the region. On a broader level, its efforts can be seen as a "symbol of the contribution Japan can make to international society" and its 'earnest efforts' globally have 'earned' it

¹⁰ Finin and Wesley-Smith, p.2

a “trusted and honored position in the world community”.¹¹ The motivation to be seen as such should not be under-estimated.

5.5 EFFORTS TO CREATE A MORE FAVOURABLE IMAGE OF JAPAN WITHIN THE REGION:

The post Cold War era, as indicated above with regard to new forms of fisheries grant aid, has seen Japan respond in new ways to the demands of the region. In many ways, Japan has tried to portray itself in more favourable terms to the Pacific Island countries. Japan has been generally supportive of regional efforts to hasten the decolonisation of New Caledonia, and has supported attempts to end nuclear testing at Moruroa Atoll at a time when the United States was reluctant to do so. Partly as a consequence of its desire not to interfere in domestic politics of recipient nations, and partly to maintain support of island leaders, Japan has persisted with a respectful diplomatic style. It should come as no surprise then, that in its response to the political turmoil in Fiji in June 2000, Japan was characteristically conspicuous by its lack of criticism.

This continuing quest to gain respect within the region is further evident in a number of other changes in Japan’s aid diplomacy after 1990. While the majority of Japanese aid remains bilateral in nature, an

¹¹ Japanese Ministry of Foreign Affairs, Japan’s Official Development Assistance Annual 1998,

increasing proportion has been given to regional organisations in recent years, including the South Pacific Forum, the East-West Center's Pacific Islands Development Program at the University of Hawaii, the South Pacific Regional Environmental Program and the South Pacific Commission. Until recently, Japan has not advocated major structural adjustment in the region, unlike Australia, largely because regional leaders balk at this method of stimulating economic growth.¹²

5.6 AID FOR VOTES?

The use of aid to gain favour in the region during the 1990s can be seen as part of a growing awareness of the political power that some Pacific island countries possess within international institutions. A commentator on regional affairs, Bill Bodde, a former high ranking American diplomat in the Marshall Islands and Fiji and non-resident U.S. Ambassador to Kiribati, Tonga and Tuvalu, believes Japan has three major aims that it wishes to achieve by giving aid: the goals of fishing rights, deep seabed rights and votes in the United Nations.¹³ The first two have been addressed, but the final goal requires comment. Eight of the region's countries are voting members of the United

Tokyo: Ministry of Foreign Affairs, 1998

¹² Finin and Wesley-Smith, p.8

¹³ W. Bodde, "Summit to boost Japan's influence in Pacific", Pacific Islands Report, *Pacific Islands Development Program/Center for Pacific Island Studies*, October 12, 1997, p.1 (<http://pidp.ewc.hawaii.edu/pireport/special/pij-03.html>)

Nations General Assembly.¹⁴ These states co-ordinate their diplomacy through the South Pacific group (SOPAC) and the Alliance of Small Island States and have the potential, as a bloc, to tip the balance in a vote crucial to Japan. All, as table 4 indicates are reliant on Japanese aid. Furthermore, while the request-based nature of Japanese aid and its preference to finance large scale infrastructure projects makes it hard to gauge trends in aid levels, it is apparent that aid to these nations has increased, and the Micronesian countries have become recipients of Japanese aid.

Japan's attempts to sway these eight countries with voting rights on the United Nations was evident during the Japan-South Pacific Forum Summit Meeting, or Tokyo Summit as it was popularly known, held on October 13 and 14, 1997. The summit was significant in that it marked the first time the Japanese Ministry of Foreign Affairs had shown real signs of a desire on the part of key Foreign Ministry officials to hold collective talks with the Forum countries.¹⁵ During the summit, Prime Minister Hashimoto called, in particular, for the Forum members to support Japan in the Third United Nations' Conference on Climatic Change, held in Kyoto, several months after the summit.

¹⁴ Papua New Guinea, Fiji, Solomon Islands, Vanuatu, Samoa, the Federated States of Micronesia, the Marshall Islands and Palau

¹⁵ The summit's purpose, ostensibly, was to examine new means of attaining economic self-sufficiency in the region and for advancing relations between Japan and the Forum. Topics including trade, investment, aid and tourism were discussed by the presidents and prime ministers of sixteen independent or self-governing nations who attended.

During his keynote address, Hashimoto noted: “I would like to request your cooperation for the success of this historic conference.”¹⁶ He elaborated on Japan’s basic philosophy to further promote its relations with the region, which he called “Four-Pillar Cooperation”,¹⁷ which was indicative of just how important ‘cooperation’ through the use of South Pacific island voting rights had become for Japan.

5.7 THE TOKYO SUMMIT: AN ASSESSMENT:

The Tokyo Summit, while a useful diplomatic exercise for Japan, appeared to produce little of substance for the future. The Joint Declaration of both the Forum members and Japan, it must be noted, was particularly vague, and included no real action agenda of substance.¹⁸ Hashimoto’s eloquent speech, when read as a whole, indicated the need to make Forum members aware of Japan’s reduction

¹⁶ Pacific Islands Report, *Pacific Islands Development Program/Center for Pacific Studies*, East-West Center, University of Hawaii, “Keynote Speech by Prime Minister Ryutaro Hashimoto at the Japan-South Pacific Forum Summit Meeting, October 13, 1997”, p.3 (<http://pidp.ewc.hawaii.edu/PIReprt/Special/10-21-A.html>)

¹⁷ Hashimoto’s First Pillar concerned the preservation of the region’s “blissful character” of natural resources and cultural traditions.

The second alluded to the need to foster economic self-reliance in the region.

The third, ‘cooperation through official development assistance’, referred to how Japan would continue to give high priority to the region in its aid budget. He added, however, that “at the same time, I ask your cooperation towards further effective and efficient economic implementation of the economic assistance, given that Japan is currently promoting all-out financial reforms under an extremely difficult financial situation.”

The fourth and final pillar was “cooperation in the international fora to tackle global issues”, Ibid.pp.2-3

¹⁸ In the Joint Declaration, Japan and the Forum members recognised that their development was mutually supportive; that they ought to work together in the United Nations and other international fora to protect the environment; that youth exchange programmes be set up; that public sector reforms aimed at promoting sustainable development and a closer integration into the world economy be continued; and that private sector development was vital to the future of the region. Pacific Islands Report, *Pacific Islands Development Program/Centre for Pacific Studies*, “Joint

of aid to the region by up to 10 percent as a result of Japan's own economic downturn. Thus, greater economic self-reliance was called for by the Japanese Prime Minister.

Given the lack of any real new policy initiatives, was the summit "an epoch-making event paving the way for the future in a long history of cooperation" between Japan and the Forum members, as Hashimoto stated?¹⁹ It is profitable to look at the contrasting views of commentators to assess its significance. It came, Sandra Tarte argues, at a time when Japan, like other donor governments, wanted to reduce its aid levels to the region. She was very critical of it, and added, "If they think about the region at all now, it is in terms of votes in the United Nations, tuna and as a holiday destination", such is the marginal place the Pacific Islands play in Japanese foreign policy.²⁰ Tarte's criticism is perhaps unfounded. Japan remains committed to the region as evidenced by the departure in policy towards multilateral dealings with the island leaders in the form of a summit. Certainly, the summit served

Declaration on the occasion of the Japan-South Pacific Forum Summit Meeting", October 13, 1997, pp.1-3 (<http://pidp.ewc.hawaii.edu/PIReport/Special/10-20-E.html>)

¹⁹ Pacific Islands Report, *Pacific Islands Development Program/Centre for Pacific Islands Studies*, East-West Centre, University of Hawaii, "Keynote Speech by Prime Minister Ryutaro Hashimoto at the Japan-South Pacific Forum Summit Meeting, October 13, 1997" (<http://pidp.ewc.hawaii.edu/PIReport/Special/10-21-A.html>), p.3

²⁰ Tarte believes it was all so low-key that the term summit was hardly appropriate. The fact that no major announcements on aid occurred, usually a standard part of Japanese summit diplomacy, and because the most highly contentious and politically sensitive area in the region's relations with Japan, fisheries management, was not on the agenda, made it a rather pointless affair. *Islands Business*, 50-51

to express reduced aid, but that did not necessarily mark a marginalisation of the region, as future events were to show.

For Gerald Finin and Terence Wesley-Smith, on the other hand, the summit marked the appropriate time for Japan to advance the nature of its relationship with the Forum members. They argue that the summit occurred, deliberately, at a time when other Pacific powers, most notably the United States, were reducing their roles in the region, as discussed above. It should be noted, however, that the United States' role in the region had begun to decline prior to 1997, which brings into question the basis of their assessment.

The summit, Finin and Wesley-Smith believe, may well signal Japan's desire to become a more influential leader in the region; a move away from its 'leading from behind' stance.²¹ In addition, they argue, it is indicative of Japan's intention to continue, and probably expand, its involvement in the region, which is part of a wider effort to take a more active role in the Asia-Pacific region, not an unwanted bid for regional hegemony. Thus, Japan has an 'obligation' to ensure the security of the region in the face of a declining American role, and the meddling of other powers. This 'obligation', they point out, is matched by 'opportunities' which are complex and "include a determination to cement relations with countries whose vast marine Exclusive Economic

²¹ G.A. Finin and T. Wesley-Smith, p.2

Zones are rich in as-yet-untapped seabed minerals, possess the bulk of the world's tuna, and whose larger islands contain gold, oil, gas, copper, timber, and other raw materials.”²²

It should be seen, therefore, that the Tokyo Summit did receive critical analysis by commentators, yet the lack of consensus of Japan's motives seemed indicative of the uncertainty concerning Japan's future relationship with the region. It is useful, therefore, to examine developments since that time, most notably the second summit between Japan and the South Pacific Forum members, to assess how Japan's involvement in the region may change in the twenty first century.

5.8 PALM 2000 AND BEYOND:

A second summit recently took place in Miyazaki, Japan, on April 22, 2000. PALM 2000, as it was commonly known, was attended by the leaders of 14 Forum nations. Like the first summit, little of any substance emerged from the meeting. ‘Concrete results’ were limited to an increase of U.S. \$4 million in aid ²³ and a joint declaration on environmental issues in the region. The latter was typically vague. It ‘recognised’ the range of environmental issues facing the region, and advocated conservation and sustainable management of biodiversity to

²² Finin and Wesley-Smith, p.2

²³ \$1 million was set aside for Information Technology training, \$2 million for health-related schemes, and \$1 million for student exchange programmes.

ensure that the regions ‘precious resources’ were passed down to subsequent generations.²⁴

The “Miyazaki PALM Declaration: Our Common Vision for the Future”, while also not specific, is most interesting as a guide to how Japan now views the region. The ‘common vision on Tomorrow’s Pacific’ is particularly noteworthy. It is said that the region’s leaders need to take an ‘active role within international frameworks as viable players.’ With eight regional countries as members of the United Nations, as well as a host of other major international institutions, attempted persuasion of these countries to support Japanese initiatives may be a defining aspect of Japan’s future aid diplomacy.

To achieve their ‘potential’, a commitment to reforms aimed at promoting sustainable development through a number of mid-to-long-term priorities by Pacific island countries was advocated.²⁵ Other

²⁴ “PALM 2000: Statement on Environment in the Pacific”, Pacific Islands Report, *Pacific Islands Development Program/Centre for Pacific Studies*, East-West Centre, University of Hawaii, April 26, 200 (<http://pidp.ewc.hawaii.edu/pireport/2000/April/04-26-02.htm>)

²⁵ These were:

(1)Capacity-building through improvement of education and training, support for industrial development and promotion, active use and dissemination of information and telecommunications technology;

(2) promotion of economic reform, private sector development and improved trade and investment environments;

(3)Environmentally sound improvement of basic infrastructure forming the basis of the Forum member’s lives and industries, including the development of clean energy;

(4)Seeking a balanced outcome for all economies including Forum member countries through future negotiations on global trading rules;

(5)Creation and adoption of appropriate measures to address and mitigate the effects of the economic and environmental vulnerability of Forum member countries.

“Miyazaki PALM Declaration: Our Common Vision for the Future” Pacific Islands Report, *Pacific Islands Development Program/Centre for Pacific Studies*, East-West Center, University of Hawaii, April 26, 2000, p.2

(<http://pidp.ewc.hawaii.edu/pireport/2000/April/04-26-02.htm>)

priorities, of a more general nature, were mentioned for the mid-to-long term. Of note, was the ‘strengthening cooperation in addressing issues relating to seabed mineral and renewable resources; cooperation in promoting dialogue between coastal states and shipping states to address the concerns of Pacific island countries regarding the shipment of radioactive materials through the Pacific region; joint efforts at promoting common interests in international organisations and at international fora; and the early realisation of comprehensive United Nations reforms, including Security Council reforms.’²⁶ A closer networking with the Forum Secretariat and international organisations such as the United Nations was also advocated. Further summits, every two to three years, were agreed to.

So what can be made of it all? For one observer, PALM 2000 served, from Japan’s perspective, to build better relations with the regional governments in its continuing effort to secure a permanent United Nation’s Security Council seat, access to tuna, and rights to the island nations’ undersea mineral wealth.²⁷ The quest for economic reform is most interesting. Japan had been reluctant for much of the 1990s to encourage macro-economic policy revision in the region,

²⁶ Miyazaki PALM Declaration, p.3

²⁷ A. Hulsen, “PALM 2000 Summit Ends in Miyazaki with Announcement of New Japanese Initiatives”, Pacific Islands Report, *Pacific Islands Development Program/Centre for Pacific Studies*, East-West Center, University of Hawaii, April 24, 2000, p.1 (<http://pidp.ewc.hawaii.edu/pireport/2000/April/04-24-01.htm>)

according to prescriptions of structural adjustment set out by the World Bank and the International Monetary Fund, as alluded to above.

The emphasis on economic reform since the late 1980s has become increasingly pronounced in multilateral aid fora because of economic reform in donor countries, which led to fiscal austerity measures; the end of the Cold War, which removed political imperatives to aid; the apparent economic successes of those developing countries which have pursued market and export oriented development strategies; and the worsening cycle of poverty in other developing countries, burdened with debt, overpopulation and environmental degradation.²⁸ For the South Pacific, the World Bank's recommended approach to development is based on "the need to invest in people, to foster a climate for enterprise, to integrate in the world economy, and to pursue stable macro-economic policies."²⁹

Because of a respect for the sovereignty of recipient nations, Japan has been averse to using aid to encourage structural adjustment policies and political reform. While it did begin to change, a uniquely Japanese perspective on what ought to constitute structural adjustment perpetuated.³⁰ PALM 2000, however, championed World Bank

²⁸ S. Tarte, Japan's aid diplomacy and the Pacific Islands, p.211

²⁹ Ibid. p.212

³⁰ Japan disagreed with the World Bank's view of structural adjustment characterised by the free market approach, based on liberalisation and privatisation. It favoured, instead, an 'activist government model of East Asian development'. For more, See S. Tarte, Japan's aid diplomacy and the Pacific Islands, pp.214-216

rhetoric, which is an interesting transformation for Japan. Whether this policy reversal reflects an acceptance of the World Bank philosophy remains to be seen. It is perhaps more likely that it reflects Japan's willingness to be seen by the donor community to be a 'leader' because of its role as the world's largest source of ODA.

Part of the answer to how Japan's aid diplomacy may develop in the future may be found in a recent survey of Japan's ODA by the DAC.³¹ In it, Japan was criticised for making 'few interventions' to encourage economic reform and 'good governance' in recipient nations, in spite of the 'decisive' role both play on the path to 'development'.³² The Asian economic crisis, however, had forced Japan to reconsider its 'development model' which emphasises economic infrastructure to one with "a broader concern with social development, poverty, institutional and governance issues" which is beginning to emerge. As a consequence, it was noted that

Japan's thinking has evolved recently, endorsing the ideas that 'human-centred development' and the enhancement of individual's welfare should be the key concepts in Japan's ODA, and that economic growth is only a means to achieve them. There has also been a shift from a formal 'request basis' stance to a more pro-active approach in proposing projects in areas such as environmental, human rights, capacity building, and good governance.³³

³¹ DAC, *Aid Review of Japan*, 1999, (<http://www.oecd.org/dac/htm/ar-japan.htm>)

³² Ibid. p.4

³³ Ibid. p.2

Japan's 'more pro-active approach' is evident in a new focus on 'poverty elimination', 'women in development', 'human resource development' and other DAC-endorsed concepts. ODA's future directions, as outlined in annual reports by the Japanese Ministry of Foreign Affairs, include further adherence to the Initiatives for Sustainable Development, increasing humanitarian assistance, and responding to environmental degradation, population explosion, AIDS, food and energy crises, drug abuse, terrorism and even international crime.³⁴ Japanese aid, therefore, has come to represent a broad range of aims. Whether the rhetoric becomes reality and how the 'new' Japanese aid philosophy impacts upon the South Pacific will become evident in the years ahead. It seems likely, however, that Japan will continue as a leading donor in the region, such are the range of motivations that its ODA is able to fulfil.

³⁴ Japanese Ministry of Foreign Affairs, Japan's Official Development Assistance Annual Report, 1998, p.206

5.9 A CONCERN WITH REFORM AND EFFICIENCY: A NEW AGENDA:

Changing Aid for a Changing World, a 1992 policy paper by the Ministry for Trade and Overseas Development, is a particularly interesting examination of Australian aid in the post-Cold War era. It was the first significant review of Australia's aid programme to focus on the changed international environment after the cessation of the East-West rivalry. Its analysis of the 'new' world was particularly instructive. The demise of a bi-polar world, it noted, saw collective and global security enhanced. As a consequence, other issues, most notably economic reform, good governance and human rights became the subject of greater international debate. The end result was that development was deemed more, not less, urgent, as donors had to adapt to the world of the 1990s.³⁵

To a large extent, Australian policy makers were influenced by the 1992 United Nations' Conference on Environment and Development (UNCED), held in Rio de Janeiro. Agenda 21, as it came to be called, represented a new benchmark in global consensus on the approach needed for sustained development in recipient countries, and gained Australian backing. Central to the success of

³⁵ Ministry for Trade and Development, Changing Aid for a Changing World: Key Issues for Australia's Aid Program in the 1990s, Canberra: Australian Government Printing Service, 1992, pp.1-3

sustainable development were a number of policies: 1) sustained and broad-based economic growth to generate employment and income which would increase individual opportunities as well as providing the necessary resources for fundamental economic and social-infrastructure; 2) a greater role for the private sector to encourage its development; 3) reform of the public sector, by reducing its size and role and improving its quality to ensure its efficient and transparent operation; 4) the need for freer trade, improved market access and the urgent removal of trade distorting practices; 5) priority attention to strengthening the human resources base of developing countries, including the role of women in development and the need for health, education, family planning and other social services; 6) the participation of people of developing countries in the development process; 7) an emphasis on ecologically sustainable development.³⁶ All seven, can now be found in Australian aid policy.

Broad-based economic growth to generate the resources necessary for sustained development was the philosophy proposed to guide Australia's aid programme in the 1990s. Specific attention to private sector development was advocated, but because it did not improve the living conditions of all, emphasis was placed on the

³⁶ Changing Aid for a Changing World, pp. 6-7

human dimensions of development, especially population, health, children, HIV/AIDS, women, education, human rights and good governance. An ‘integrated’ approach to sustainable development, incorporating economic, ecological, social and cultural considerations was proposed.³⁷

Of significance, is the discussion of good governance. It stressed that Australia, unlike other donors, does not make aid conditional on either good governance or respect for human rights, or equate the former with the imposition of Western-style models of democracy. It is “understood more broadly as effective management of a country’s social and economic resources in a manner that is open, transparent, accountable and equitable.”³⁸ In reference to the South Pacific, ‘sluggish’ economic growth, despite the relatively high levels of aid received, was because domestic policies were hampering performance.³⁹ Thus, a need for regional governments to make crucial structural reforms and to stimulate private sector investment to foster more effective growth was deemed necessary, as increased aid flows were not the solution. The role of the World Bank and the Asian Development Bank in policy dialogue, because

³⁷ *Changing Aid for a Changing World*, pp.1-3

³⁸ *Ibid.* p.17

³⁹ This was the World Bank’s assessment of the region’s lack of economic growth.

of their expertise, was strongly stated and was a central theme of the policy paper.⁴⁰

There were few other specific references to the South Pacific, although it was noted that the 'special relationship' with the region would remain a priority for Australian aid because of humanitarian, strategic and commercial reasons. Structural reform was justified on the basis that Australian aid was of 'critical importance' to the region, and thus 'efficient and effective' delivery was essential. A major policy shift for Papua New Guinea away from untied budget support towards programme aid, on the grounds that it would foster development while resulting in substantial returns for Australian industry, was advocated.⁴¹ Furthermore, such a move would be more accountable to Australian taxpayers, enable greater coordination with the World Bank and Asian Development Bank, as well as creating a greater opportunity for Women in Development programs.⁴² It was indicative, therefore, of the degree to which aid in the post-Cold War era had to be justified on a

⁴⁰ Changing Aid for a Changing World, pp.21-22

⁴¹ The radical re-shape of the Papua New Guinea aid programme, it is pointed out, would see a phasing out of budget support by the year 2000. At the same time, a progressive increase in programme aid would follow, with a target level of expenditure of A\$300 million by that year. It will focus on such sectors as law and order, health, education, economic infrastructure and agriculture, including an emphasis on rural development, poverty alleviation and the environment, rather than designed around a specific project or activity. Ibid. pp.20-22

⁴² Changing Aid for a Changing World, p.21-22

number of grounds, as the security threat posed by the Soviet Union could no longer justify aid expenditure.

5.10 THE SIMONS' REPORT AND THE QUEST FOR INCREASED SELF-RELIANCE:

A significant development in Australian aid philosophy after the 1992 policy paper, Changing Aid for a Changing World, is evident in the Simons' Report. In it, aid dependency is criticised because "it can compromise national sovereignty, stifle local initiative and create problems of mendicancy."⁴³ Many Pacific island countries, it is noted, would remain aid-dependent for the foreseeable future, but larger and wealthier ones did not have to be. A 'graduation' from Australia ODA, therefore, was recommended for countries in the latter group, including Fiji, which had the most potential to become 'self-reliant'. Tonga and Western Samoa, because of their smaller and narrower resource bases and good 'social and economic indicators' have the potential to develop 'under their own steam.' Vanuatu and the Solomon Islands are seen as having good long-term prospects, while Tuvalu and Kiribati are adjudged as never being able to achieve self-reliance.⁴⁴

⁴³ P. Simons, Report of the Committee of Review on Australia's Overseas Aid Program, Canberra: Australian Government Printing Service, 1997, pp.109-110

⁴⁴ P. Simons, p.112

Because of the differences between Pacific island countries, in terms of their potential for 'self-reliance',

A differentiated approach to the development needs of the Pacific is therefore required. The approach needs to be based on: the level of income and incidence of poverty; their capacity for self-reliance; the extent to which the government can demonstrate a genuine commitment to sustainable development policies; and broader foreign policy interests. Broadly, such an approach has been pursued by Australia, but it may be appropriate to re-examine the quantum and nature of assistance to individual countries.⁴⁵

A reconsideration of aid relations with individual countries should be interpreted in light of Australia's quest to spend its aid more efficiently in the 1990s and the great emphasis placed on aid conditionality. The latter is evident in Australia's Policy and Management Reform Program, established in 1995, to assist island governments to implement reform of the public sector. Over A\$9 million was allocated to this programme and allocated in addition to bilateral country allocations of ODA based on a commitment to change to provide "both an incentive for reform and the means to pursue it".⁴⁶

As part of the efficiency drive, support for regional organisations, including the Forum Secretariat, the South Pacific

⁴⁵ Ibid. p.112

⁴⁶ P. Simons, p.111. The restructuring and upgrading of Western Samoa's Treasury over a 5-year period, for a cost of A\$7 million, is a good example of the nature of reforms encouraged under the programme.

Commission and the University of the South Pacific, was further encouraged:

There are obvious economies of scale to be gained from effective development-focused regional organisations and programs active in the Pacific. Australia is a major supporter of the regional framework of organisations and programs. This support complements Australia's bilateral aid programs to the region and can also provide a useful opportunity to enter into dialogue with island governments on economic reform and resource management issues.⁴⁷

Support for multilateral and regional agencies was seen as the most effective means to support countries outside of the 'core group'⁴⁸ although continued membership of these organisations was dependent on their viability and relevance of mandates, as well as a lack of duplication.⁴⁹

When read as a whole, the Simons' Report endorses the need for economic and social reform and good governance expounded in Changing Aid for a Changing World:

Open, transparent, accountable and equitable government practices are prerequisites for sustainable development. An aid program can, and should, encourage good governance directly, through activities aimed at strengthening the capacity of political, administrative and legal institutions, and indirectly, through the ongoing dialogue that surrounds an effective aid relationship, both in day-to-day project

⁴⁷ Ibid. p.111

⁴⁸ The 'core group' comprised Fiji, Kiribati, Solomon Islands, Tonga, Tuvalu, Vanuatu and Western Samoa.

⁴⁹ Ibid. p.112

implementation and in broader policy and planning discussions.⁵⁰

Good governance, including effective government policies and administration, respect for human rights, the rule of law and participatory development, is necessary for sustainable development, it is noted. Effective governance should also be the criteria used in deciding the allocation of Australian aid.⁵¹ A move towards development, according to how Australia perceives it, has thus become an established feature of the ‘new agenda’ for aid to the region.

5.11 AUSTRALIA’S INTERNATIONAL REPUTATION:

As in the Cold War, how the international donor community perceived Australia had a major bearing on the direction its aid philosophy has taken. Changing Aid for a Changing World continued the theme: “the aid program represents one of the ways in which the world perceives and interacts with Australia. The program also contributes significantly to Australia’s role as a good international citizen and our position as a middle-ranked power.”⁵² The use of the term ‘middle-ranked power’ is a development from the 1980s, and suggests a development in how Australia sees its role

⁵⁰ P. Simons, p.3

⁵¹ Ibid. p.14

⁵² Changing Aid for a Changing World, p.8

in world affairs. A greater volume of aid and role in setting an agenda for how it is utilised, should be interpreted in this light.

The Simons' Report included a rationale for maintaining Australia's aid programme on the basis that other traditional South Pacific aid donors were no longer doing so. Mention of the reduced United States' aid budget, which essentially restricted its support to the former United States' Trust Territories, Palau, the Federated States of Micronesia and the Marshall Islands, and the declining roles of Great Britain and the European Union, were outlined.⁵³ A need to fulfil its duty to the international aid community, while appearing to be a better 'global citizen' had perpetuated.

5.12 COMMERCIAL MOTIVATIONS:

As in the Cold War, the commercial benefits to Australia from its aid programme are outlined in Changing Aid for a Changing World. What had changed, however, was the justification of economic reform on the grounds that it would further the development process in recipient nations, which in turn would have positive consequences for Australia. Thus, the liberalisation of trade and market-oriented economies would improve the 'capacity' of a

⁵³ British ODA, it was noted, declined from US\$20 million in the early 1990s to US\$9 million by 1995. P. Simons, p.109

developing nation, which would then lead to increased trade relationships with Australia.⁵⁴ The role Australian aid played in the economic success of the Asia-Pacific region, which brought with it 'significant dividends' in economic terms, proved influential in this regard.

The Simons' Report, as the Jackson Report had 13 years earlier, examined the variety of benefits that involvement in the aid programme would result in, as well as the argument that economic growth in recipient nations would in the long-term boost the Australian economy. However, no other commercial justifications were discussed by Simon and his Committee.

5.13 SECURITY MOTIVATIONS:

Changing Aid for a Changing World does not devote much attention to security considerations as a motivation behind aid.⁵⁵ Certainly, with the Soviet threat no longer, this was not surprising. Security, in a broad sense, in terms of international and regional stability, is justified on the grounds that it is a prerequisite for the freeing of world trade which is essential for Australia's future well

⁵⁴ Changing Aid for a Changing World, p.8

⁵⁵ Perhaps this is because it was a policy paper by the Ministry for Trade and Overseas Development, unlike the Jackson Report and the 1989 review of aid which took more into consideration the Ministry of Defence's position on the utilisation of aid.

being.⁵⁶ The greater connection between democracy and economic growth, however, further suggests that security had an increasingly economic basis in the ‘new’ world of the 1990s.

It would be wrong, however, to portray the region as no longer being important for Australia in the post-Cold War period. This comes through clearly in a 1997 Australian Department of Defence publication, Australia’s Strategic Policy. In it, it is argued that “Australia’s basic geo-strategic interests in Papua New Guinea and the smaller island states of the Southwest Pacific are similar to the interests we have in Indonesia – to prevent their territory being used as a base close to Australia for attacks upon us.”⁵⁷ In effect, this meant that Australia, as was argued during the Cold War, had “an enduring strategic influence in ensuring that no potentially hostile power achieves undue influence which undermines the sovereignty of our Southwest Pacific neighbours.”⁵⁸ Meeting the economic needs of the region and strengthening the ‘habit’ of good governance would, it was noted, continue to serve Australia’s strategic interests.⁵⁹

⁵⁶ Changing Aid for a Changing World, pp.1-3

⁵⁷ Australian Department of Defence, Australia’s Strategic Policy, Canberra: Australian Government Publishing Service, 1997, p.13
(<http://www.minister.defence.govt.au/sr97/welcome.html>)

⁵⁸ *Ibid.* p.13

⁵⁹ *Ibid.* p.20

A more recent Green Paper by the Department of Defence, Defence Review 2000, expanded on the themes evident in 1997. Australia's immediate strategic interests, in the 'arc' stretching from Indonesia to the islands of the Southwest Pacific, could be threatened by the 'weakening' of 'national cohesion' throughout the region, makes political instability all the more likely. The Southwest Pacific was assessed as being a potential threat to Australia because:

...the political, economic and territorial fragility of these countries makes them vulnerable. Our planning may need to take into account the possibility – albeit remote at present – that at some time these countries could be subject to attempts by non-state actors or potentially hostile countries to erode their sovereignty.⁶⁰

'Non-state actors', it can be assumed from a reading of the paper, included the threat posed by organised crime to the region. The interconnected world of the twenty first century means that turmoil anywhere in the world has the potential to impact on Australian trade. Thus, security was thus further defined in economic terms, in contrast with the Cold War, when ideological concerns governed defence policymaking and expenditure.

⁶⁰ Australian Department of Defence, Defence Review 2000 (Government Green Paper on defence policy), Canberra: Australian Government Printing Service, 2000, p.13 (<http://whitepaper.defence.govt.au>)

5.14 HUMANITARIAN MOTIVATIONS:

The whole economic and political reform agenda and conception of good governance, as discussed above, was justified on the grounds of a concern with increasing the efficiency of Australia's aid programme, but also humanitarian foundations. The principle of social justice, a defining characteristic of policy under a Labour Government, it is noted, is the basis of the aid programme. Furthermore, humanitarianism is the 'centre' of aid philosophy. By making recipient countries more democratic and market-oriented, quicker economic growth can be achieved.⁶¹ The concern with expanding efforts to expand the aid programme to benefit particular groups in society, while heavily influenced by the World Bank conception of development, did represent a greater emphasis on improving the quality of life in developing nations. As a consequence, greater attention was paid to the human dimensions of development. These included, among others, education, health, poverty alleviation, Women in Development, children, HIV/AIDS, human rights, encouragement of the rural sector and population issues, so that the benefits of change would be felt more widely

⁶¹ *Changing Aid for a Changing World*, pp.7-8

throughout society.⁶² The importance of the environment, as part of the integrated approach to sustained development, was also addressed.

An increased proportion of Australia's aid budget for multilateral organisations was justified on the grounds of efficiency and humanitarianism. As a result, 12.3 percent of Australian aid in 1991 had found its way to the Major Development Banks and various United Nations' organisations compared with only 5.6 percent in 1983.⁶³ The Major Development Banks, because of their expertise in reform and ability to coordinate donor activities, were preferred. The benefits to Australian firms and consultants from multilateral contracts was again used to justify Australia's stance, but greater emphasis on the ability of multilateral institutions to lead the new reform agenda had become the strongest selling-point. This was in contrast to the Cold War era when the commercial benefits to Australia were the major justification.

5.15 2000 and beyond:

By the end of the twentieth century, and even after the threat posed by the Cold War had subsided, Australian aid policy

⁶² Changing Aid for a Changing World, pp.22-25

⁶³ Ibid. p.36

maintained a posture based on a very simple philosophy: “Australia’s development cooperation has a single objective: the promotion of sustainable economic and social advancement of people in developing countries. It springs from multiple motivations: humanitarian concern, foreign policy and commercial interests.”⁶⁴ While the philosophy has changed little since the Jackson Report, the Cold War brought about a growing emphasis on political and economic reform and efficiency based on the need to bring countries to ‘graduation’ or self-reliance. A greater concern for the human dimension of development can be seen as part of a quest to be a dutiful donor, in line with the prevailing development orthodoxy. The commercial basis of aid has perpetuated, while security has always been at the forefront of policy discussion.

According to DAC, “With its geographical location, Australia’s security and economic progress are probably more closely linked to the fortunes of a particular set of developing countries than is the case for most other Member countries in...DAC.”⁶⁵ A concern with this ethos runs through two later policy papers, the White Paper on foreign and trade policy, In the

⁶⁴ Changing Aid for a Changing World, p.6

⁶⁵ DAC, Aid Review of Australia, p.1 (<http://www.oecd.org/dac/htm/australia99.htm>)

National Interest and Better Aid for a Better Future.⁶⁶ As a result, the 'South Pacific' and Papua New Guinea should continue to be allocated aid well into the future. 'Graduation', if it occurs, will reduce the number of Pacific island nation recipients, although for a few, aid from Australia or elsewhere will remain a necessity. Australia has satisfied that requirement, and will feel compelled to continue to do so. With the exception of Papua New Guinea, the remainder of the region receives a tiny percentage of Australia's total aid budget. From Australia's perspective, therefore, ODA to the region has proved a particularly prudent investment in terms of meeting its range of motivations.

⁶⁶ DAC, Aid Review of Australia. pp.1-2

CHAPTER SIX:
COMPARISON AND CONCLUSION

6.1 INTRODUCTION:

Having individually examined Australia and Japan as ODA donors during the Cold War and its aftermath, it is now possible to compare the two. The individual focus hereto was influenced by the collaborative efforts of Schraeder *et al*, who deemed it necessary to do so to highlight the extent to which there was overlap between donor motivations, but also differences, prior to making a comparison.¹ Their approach to ‘cross-national analysis’ demonstrated that donors are influenced by varying combinations of foreign policy interests, as a result of their different historical backgrounds and positions with the international system. They concede that no two are alike, although ‘general conclusions’ of similarities can be drawn.² The evidence surrounding Japan and Australia confirms the claim of Schraeder *et al* that “the results clearly reject the rhetorical statements of policymakers in the industrialized North who publicly assert that foreign aid is an altruistic tool of foreign policy.”³

This chapter concludes the thesis by drawing together the examinations of Japanese and Australian aid in the Cold War and post-Cold War periods. A comparison, based on the categories used in

¹ Schraeder et al, p.301

² Ibid. p.319

³ Ibid. p.319

Chapters Three, Four and Five (Humanitarian, Commercial and Security motivations, 'Connection with Region', and International Reputation) is now possible, although some of these have been combined to illustrate the inter-connection between them. A discussion on the actual aid programmes of each follows, which serves to supplement the discussion on policy. The aid programmes of each donor worldwide, the extent of aid conditionality and the bilateral/multilateral ratio are examined as they account, in part, for the similarities and differences that exist between Japanese and Australian aid to the region. The thesis concludes with a discussion: the implications for future research on aid in the South Pacific.

6.2 HUMANITARIAN MOTIVATIONS AND EACH DONOR'S DEVELOPMENT PHILOSOPHY:

Humanitarian motivations, in the study by Schreader *et al*, were adjudged not to have been a factor in the African context. In the South Pacific, however, as shown, Australia and Japan did have a concern for bringing about development, which was evident in their aid philosophies, to varying extents. The statistics relating to expenditure on different sectors, the overall purposes of aid, (Table 5) reveal the

different focus of both donors world-wide, which can guide an analysis of their commitments to the region.

TABLE 5: Aid by Major Purposes, 1998:

| Selected Categories | Australia (%) | Japan (%) |
|-----------------------------------|---------------|-------------|
| Social and Administrative | 55.9 | 19.6 |
| Education | 21.7 | 5.9 |
| Health and Population | 10.6 | 2.7 |
| Water Supply and Sanitation | 3.9 | 9.5 |
| Economic Infrastructure | 12.6 | 37.8 |
| Transport and Communication | 8.9 | 24.3 |
| Energy | 1.8 | 13.0 |
| Production and Agriculture | 9.6 | 12.4 |
| Programme Assistance | 2.8 | 11.9 |
| Emergency Aid | 8.6 | 1.0 |

Source: Statistical Annex of the 1999 Development Cooperation Report
(<http://www.oecd.org/dac/dacstats.htm#Dactables>)

The table indicates, among other things, a major difference between the donors on how best to use economic assistance to improve the living standards in recipient nations.

Japan's greater emphasis on economic infrastructure, has been a reflection of its own 'rebuilding' experience in the wake of World War II. A belief that 'take off' is best attained through economic growth which result in social benefits, rather than a more even distribution of aid between economic and infrastructure and social spending, is reflected in its ODA to the Pacific and elsewhere. It is arguably a narrow, economic-oriented attitude, but it highlights the

complementarity which exists with the role Japanese foreign investment and trading relations play in the development process. The comparative lack of social spending might also be construed as an indication of the real nature of Japanese 'humanitarianism': that concern for improving living standards in rhetoric is seldom reflected in reality. Further, the connection between economic growth and political stability can be similarly interpreted as a concern more with the protection of Japanese commercial and security interests than with human rights. Its intention to pay closer attention to 'human development' could be interpreted in this light.

Australia, in contrast, has become more focused on the World Bank model of economic and political reform in the post-Cold War era. Japan's basic approach to development has changed little since the 1970s, in part an indication of its reluctance to interfere too heavily in the domestic affairs of recipient nations. Australia's development philosophy has rapidly evolved since the Cold War. The possibility that every recipient nation could achieve economic growth, the core of development, has been replaced by an acceptance that, in the South Pacific context at least, improving the quality of living was a more realistic goal. Yet this is not to suggest that Australia has been reluctant in the 1990s to attempt to improve the lot of recipient nations, reflected in its insistence on greater aid conditionality to foster widespread

reform in line with the prevailing developmental orthodoxy of the time, as espoused by the World Bank and DAC, in particular.

How should this be interpreted? It has been shown that, in part, it was related to Australia's quest to be seen as a responsible donor: a good 'international citizen'. On the other hand, it would be fair to construe its intention as part of a greater altruistic focus in its aid policy. With an end to the Cold War-inspired use of aid to curry favour with recipient nations to check any Soviet advance, Australia has the opportunity to support greater social and economic change. The new emphasis on 'graduation' of a number of Pacific Islands, including Fiji, Tonga and (formerly Western) Samoa can itself be viewed as a need to make the ODA budget more accountable to a dubious public no longer taken in by Cold War rhetoric. It might also be interpreted as a desire to more efficiently use that budget to bring about greater 'integrated' development. Australia, therefore, has adapted the humanitarian basis of its aid to reflect the post-Cold War era to a greater extent than Japan, a donor renowned for its rigidity. Australian aid is perhaps more humanitarian than ever before, though a range of other interests make interpreting it solely as a deeper concern for its 'near neighbours' somewhat simplistic.

6.3 THE SECURITY DIMENSION, REGIONAL AFFINITY AND INTERNATIONAL REPUTATION:

With the disappearance of the threat posed by the Soviet Union, the role ODA played in broad 'security' concerns has changed greatly in nature. For both Japan and Australia, a commitment to its major ally, the United States, has meant that both continue to attempt to ensure that 'hostile' nations do not establish a foothold in the region. That likelihood, however, has declined greatly in the 1990s, and with it, a justification for aid reflecting this rationale. With the declining United States and British roles as aid donors in the South Pacific, both Japan and Australia have widened the countries they give to. The concern, now, is more with being seen to be 'doing good' in the eyes of the international community, rather than a need to prevent the advances of unwelcome actors in the region. Both have a 'duty' then to maintain their efforts, and will presumably continue to do so.

Australia's geographic location, as noted, has had a major bearing on its economic assistance levels to the region. The islands of the South Pacific constitute much of the 'arc' of its immediate security concerns. While any invasion of Australia is highly unlikely, it would be launched from within the 'arc' and this has an impact on Australia's defence planning considerations. It should come as no surprise then that

the region is accorded the status of first priority in its recent ODA planning.

For Japan, a nation further away from the region, the security threat that its aid aims to address now is the important shipping lanes in the region. Were these compromised, the consequences for Japan, because of its extremely high dependence on trade, would be particularly severe. Again, the likelihood of this is extremely minimal but it does influence Japanese aid diplomacy.

Both donors, as noted, have a connection with the region dating back several centuries, which has influenced their desire to have aid programmes in the South Pacific. Security and commercial motivations, however, have more of a bearing on aid flows than 'regional affinity' rhetoric which helps justify their aid levels to the Pacific island states. The chief distinction is that Australia has been guided more by the former, and Japan the latter, particularly after the end of the Cold War. While, therefore, the 'connection with the region' argument should not be overstated, it must not be neglected.

6.4 COMMERCIAL MOTIVATIONS:

The Japanese aid programme to the South Pacific was founded on a need for fish, compromised by the creation of EEZs in 1977, and a

‘resource diplomacy’, similarly influenced by the 1973 Oil Crisis. For this reason, the aid programme has primarily been influenced by commercial considerations. The majority of Japan’s fisheries grant aid budget finds its way to the region as a means of ‘smoothing’ fishing access agreements, and most likely will continue to do so. Other resources, including timber and minerals are important for Japan, and for this reason, it is now the region’s largest trading partner. The potentially enormous gain that could follow the discovery of cost-effective methods of extracting the abundance of mineral deposits on the ocean floor is a consideration that continues to guide Japanese policymaking. This is despite the fact that it is by no means certain that extraction would be possible because of the issues of cost and environmental destruction, as the latter would almost certainly have adverse consequences for Japan’s international reputation.

Economic gain and the need for the region’s natural resources has largely shaped Japanese aid to the region, although there certainly have been other influences. The pressure applied by the United States to Japan in 1987 to take a greater responsibility for Western security as a response to Soviet ‘inroads’ was to result in greater aid levels and a ‘doctrine’ to illustrate the extent of its concern for the region. Behind it all, however, economic benefits were never far away, and will continue to be into the future.

Australia, like Japan, has a range of commercial benefits which relate to its aid programme. It must be borne in mind, however, that Papua New Guinea aside, Australian trade with the region is relatively small. Yet commercial considerations persisted through the Cold War period and into the 1990s. They were not the major determinant of aid that they were for Japan, it could be argued, though they were an important consideration when aid policy was formulated, as reflected in the various official reviews that have been conducted.

6.5 THE RELATIVE WEIGHT OF EACH CATEGORY:

Having now examined each motivational category, it is necessary to reach a conclusion regarding the relative weight each had and has on Japan's and Australia's aid policy as it relates to the South Pacific. The evidence suggests that Japanese aid has Commercial Motivations as its chief determinant. 'Security Considerations' are still evident, though they are less of an influence now than during Cold War. The fact that the Soviet threat did not translate into increased aid until the mid 1980s, and the end of the Cold War soon after, further suggest that economic benefits largely determined the nature of Japan's aid relationship. International Reputation has always been central to Japan's aid

philosophy, while 'Region' and Humanitarian Motivations have been less so.

In Contrast, Security Motivations have been the single largest influence on Australian aid over both time periods. Commercial Motivations are less important for Australia, though they were still significant. Humanitarian Motivations, particularly after the Soviet threat ceased, have grown in significance, while International Reputation remains a notable incentive. As with Japan, Regional Affinity was the least important determinant of Australian aid diplomacy.

6.6 A CLOSER EXAMINATION OF THE AID PROGRAMMES:

Having examined the broader humanitarian, security and commercial motivations behind the aid policies of Japan and Australia as they relate to the South Pacific, it is useful to have a closer look at the actual programmes and what they indicate. Table 6 reveals much about the aid commitments of both donors in the 1990s. Two important impressions are evident. Firstly, the extent to which Japan and Australia are the largest donors, and secondly, the degree of complementarity regarding which countries they choose to assist.

TABLE 6: AUSTRALIAN AND JAPANESE AID TO THE SOUTH PACIFIC IN THE POST COLD WAR ERA (US\$m)

| Country | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---------------------|---|---|--|--|--|--|-------------------------------------|
| Cook Is | NZ 8.4 Aust 1.3 Japan 0.3 | NZ 8.8 Aust. 1.8 Japan 0.5 | NZ 7.8 Aust. 2.0 France 1.3 | NZ 7.0 Aust. 1.8 Japan 0.5 | NZ 8.0 Aust. 1.6 Japan 0.5 | NZ 8.2 Aust. 1.3 Japan 0.6 | NZ 5.6 Aust. 1.1 Japan 0.3 |
| Fiji | Aust 19.4 Japan 9.0 NZ 6.2 | Aust.20.5 Japan 8.3 NZ 2.8 | Aust. 24.6 Japan 16.4 NZ 5.9 | Japan 20.3 Aust. 15.2 NZ 7.3 | Aust. 15.8 Japan 11.2 NZ 3.3 | Aust. 14.0 Japan 13.9 NZ 6.6 | Japan 18.6 Aust. 12.5 NZ 6.6 |
| Kiribati | Japan 9.4 Aust. 3.6 U.K. 3.0 | Japan 7.3 Aust. 3.2 U.K. 3.2 | Japan 13.9 Aust. 4.4 U.K. 2.3 | Japan 5.4 Aust. 4.4 NZ 1.6 | Aust. 5.9 Japan 3.5 NZ 1.6 | Aust. 4.2 Japan 4.2 NZ 1.6 | Aust. 4.8 Japan 4.5 NZ 2.0 |
| Nauru | Aust. 0.13 Japan 0.02 NZ 0.01 | Aust. 0.31 Japan 0.06 F.R.G. 0.01 | Aust.0.19 Japan 0.05 - | Aust. 0.3 Japan 0.1 Germ. 0.0 | Aust. 2.4 Japan 0.1 Germ. 0.0 | Aust. 1.8 Japan 0.4 NZ 0.0 | Aust. 2.4 Japan 0.5 NZ 0.0 |
| PNG | Aust. 262.2 Japan 38.0 F.R.G. 8.0 | Aust. 262.3 Japan 42.3 F.R.G. 7.4 | Aust. 242.8 Japan 87.9 F.R.G. 10.0 | Aust. 221.8 Japan 27.4 Germ. 9.7 | Aust. 234.6 Japan 21.8 Germ. 9.8 | Aust. 238.6 Japan 46.1 Germ. 6.8 | Aust. 243.6 Japan 96.2 NZ 5.5 |
| Solomon Is. | Aust. 11.5 Japan 8.7 U.K. 6.6 | Japan 10.8 Aust. 9.3 U.K. 5.5 | Aust. 10.6 Japan 8.0 U.K. 6.2 | Japan 10.8 Aust. 9.5 U.K. 6.7 | Japan 16.0 Aust. 10.6 U.K. 7.5 | Japan 17.1 Aust. 8.5 NZ 3.8 | Japan 18.2 Aust. 8.0 NZ 4.3 |
| Tonga | Japan 10.1 Aust. 8.6 NZ 3.8 | Aust. 7.6 Japan 3.4 NZ 2.8 | Aust. 8.7 Japan 5.9 NZ 3.4 | Japan 12.1 Aust. 7.1 NZ 4.6 | Japan 8.7 Aust. 8.5 NZ 3.4 | Japan 14.4 Aust. 8.1 NZ 5.1 | Japan 11.5 Aust. 8.1 NZ 5.6 |
| FSM | NA | NA | Japan 10.3 Germ. 1.1 USA 1.0 | USA 45.0 Japan 15.2 Aust. 0.9 | USA 83.0 Japan 17.1 Aust. 1.2 | USA 52.0 Japan 18.2 Aust. 1.4 | USA 102 Japan 8.7 Aust. 1.0 |
| Marshall Is. | NA | NA | Japan 5.3 NZ 0.0 - | USA 24.0 Japan 5.4 Aust. 0.4 | USA 42.0 Japan 3.1 Aust. 0.5 | USA 26.0 Japan 5.7 Aust. 0.2 | USA 55.0 Japan 5.7 Aust. 0.2 |
| Palau | NA | NA | NA | NA | USA 191 Japan 7.2 Canada 2.1 | USA 132 Japan 9.5 Aust. 0.2 | USA 58 Japan 4.0 Aust. 0.2 |
| Tuvalu | Aust. 1.7 NZ 1.1 Japan 1.0 | Aust. 1.6 NZ 1.4 UK 0.8 | Japan 3.5 Aust. 1.6 NZ 3.0 | Aust. 1.8 NZ 1.1 Japan 0.2 | Aust. 1.8 Japan 1.3 NZ 1.2 | Aust. 3.5 Japan 1.5 NZ 1.2 | Japan 4.6 Aust. 3.1 NZ 1.4 |
| Vanuatu | Aust. 11.7 Fran. 9.2 Japan 8.1 | Fran. 10.4 Aust. 8.8 U.K. 8.6 | Aust. 10.4 Fran. 9.5 U.K. 8.8 | Aust. 10.2 Fran. 7.8 U.K. 5.6 | Japan 11.6 Fran. 11.1 Aust. 9.8 | Japan 12.8 Aust. 10.8 Fran. 10.3 | Aust. 11.7 Fran. 9.1 NZ 3.7 |
| W. Samoa | Japan 9.2 Aust. 8.9 NZ 5.8 | Japan 10.0 Aust. 9.2 NZ 4.2 | Aust. 12.1 NZ 7.9 Japan 6.9 | Japan 15.8 Aust. 7.6 NZ 5.7 | Japan 22.7 Aust. 8.9 NZ 5.1 | Japan 14.6 Aust. 8.6 NZ 6.3 | Japan 14.3 Aust. 8.4 NZ 6.7 |

Source: Japanese Ministry of Foreign Affairs, Japan's Official Development Assistance Annual Report, various years.

In Fiji, Kiribati, Nauru, Papua New Guinea, Solomon Islands, Tonga, Tuvalu and Western Samoa, Japan and Australia are the two biggest

donors. Even in Palau, the Federated States of Micronesia and Marshall Islands, both have taken on a responsibility, albeit small, to assist the United States. The vying for top donor status is evident throughout, and in Fiji, Solomon Islands and Western Samoa, Japan has surpassed Australia. Australia's 'core group' of recipients, Western Samoa, Tonga, Kiribati, Fiji, Solomon Islands, Tonga and Vanuatu are also the largest recipients of Japanese aid. The levels of aid and which countries receive it would tend to suggest that each donor's programmes are very similar, though this is quite misleading when the programmes are examined more closely.

A closer look at the geographical distribution of each donor's bilateral aid (Table 7) reveals the relative insignificance of the region. Nevertheless, the South Pacific has been and still is important for both. A far greater percentage of Australian aid finds its way to the region, when Papua New Guinea is taken into consideration. It reveals, therefore, that the region does have more significance for Australia, which is reflected in the new reform agenda.

Table 7: Major Recipients of Australian and Japanese Bilateral Aid (%)

| 1977-78 | Australia | Japan | 1987-88 | Australia | Japan | 1997-98 | Australia | Japan |
|-----------------|-----------|-------|-----------------|-----------|-------|-----------------|-----------|-------|
| Europe | 0 | 0.7 | Europe | 0 | 2.6 | Europe | 0.1 | 1.4 |
| North of Sahara | 0.4 | 9 | North of Sahara | 0.9 | 3.1 | North of Sahara | 2 | 2.1 |
| South of Sahara | 2.9 | 6.9 | South of Sahara | 7 | 12.2 | South of Sahara | 6.2 | 10.2 |
| North | 0.1 | 2.3 | North | 0.1 | 2.2 | North | 0.1 | 4 |

| | | | | | | | | |
|---------------------------------|------|------|---------------------------------|------|------|---------------------------------|------|------|
| and Central America | | | and Central America | | | and Central America | | |
| South America | 0 | 5.7 | South America | 0 | 4.8 | South America | 0 | 5.3 |
| Middle East | 0.1 | 9.8 | Middle East | 0.2 | 2.8 | Middle East | 0.5 | 3.9 |
| South and Central Asia | 8.1 | 25.3 | South and Central Asia | 4.9 | 22.3 | South and Central Asia | 6.9 | 21.3 |
| Far East Asia | 16.5 | 39.8 | Far East Asia | 33.2 | 48.7 | Far East Asia | 37.8 | 49.7 |
| Oceania | 71.9 | 0.4 | Oceania | 53.6 | 1.3 | Oceania | 46.5 | 1.8 |
| Total Bilateral | 100 | 100 | Total Bilateral | 100 | 100 | Total Bilateral | 100 | 100 |

Source: Statistical Annex of the 1999 Development Cooperation Report
(<http://www.oecd.org/dac/dacstats.htm#Dactables>)

The growth in aid delivery by both Japan and Australia has changed much over the last four decades, in line with the multiple benefits ODA presents to the recipient. This is evident in Table 8. Their contributions to the region have, in a sense, mirrored their world-wide aid volumes.

TABLE 8: Total ODA Expenditure, Selected Years (\$US m):

| Year | Australia | Japan |
|-------------|------------------|--------------|
| 1960 | 59 | 105 |
| 1965 | 119 | 244 |
| 1970 | 212 | 458 |
| 1975 | 552 | 1148 |
| 1980 | 629 | 3353 |
| 1985 | 749 | 3797 |
| 1990 | 955 | 9069 |
| 1995 | 1194 | 14489 |

Source: Statistical Annex of the 1999 Development Cooperation Report
(<http://www.oecd.org/dac/dacstats.htm#Dactables>)

Australian and Japanese aid can, therefore, be understood in part by their ODA volumes world-wide, but it is necessary to taken more into account the nature of their aid programmes to the region, including their administration, to show their degree of similarity and difference.

6.7 THE RESPECTIVE ODA ADMINISTRATIONS:

In many respects, the differences in the South Pacific aid philosophy of both donors stems from their vastly different ODA administrations. Australia, through AusAID, has a more coordinated administration, under the control of one government ministry, Foreign Affairs. Yet other ministries do have an input into the aid decision-making process, which results in an aid philosophy which reflects a broader range of motivations. For the Japanese, however, aid policy is less centralised. The Japanese International Cooperation Agency (JICA), the Overseas Fisheries Cooperation Fund (OFCF) and the Ministry of Foreign Affairs, the Japanese Fisheries Agency (JFA), among others, have all played varying roles in the formulation of Japanese aid policy. JFA and OFCF, especially, have seen to it that favourable fishing access through fisheries grant aid has stayed as the basis of Japanese aid since the mid 1970s. The Japanese Ministry of

Foreign Affairs itself is no stranger, as has been shown, to legitimising the link between aid and commercial gain.

6.8 AID CONDITIONALITY AND THE MULTILATERAL/BILATERAL RATIO:

Perhaps one of the most significant differences between Australia and Japan as aid donors has been their varying perceptions on the extent to which ODA should be conditional on reform within the recipient nation. It has been shown that Japan has been reluctant to interfere in developing nations' domestic politics, despite the specific reference in its 1992 ODA Charter.⁴ The fact that it is often unpopular with the recipient further justifies its stance. Australia, on the other hand, has increasingly adopted the World Bank ethos on coordinating its bilateral aid policy, engaging in policy dialogue good governance initiatives, structural adjustment and other reforms. Its greater emphasis on encouraging reform and democracy, however, was evident during the 1987 Fijian *coups*, when Australia, albeit briefly, suspended its aid. Similarly, in the *coup* of 2000, Australia halted most non-humanitarian development projects – a 30 percent reduction in Australian aid – and criticised Fiji at the diplomatic level. Japan, in contrast, was conspicuous by its lack of criticism on both occasions.

⁴ Japan's ODA Charter, 2 (4): "Full attention should be paid to efforts for promoting democratization and introduction of a market-oriented economy, and the situation regarding the securing of basic human rights

Because of its reluctance to interfere in the domestic politics of recipient nations, Japan has difficulty subscribing to the prescriptions of the multilateral agencies. Japan's preference for bilateral aid, because of its position of strength, means that it will continue to rely on this form of aid, although the amount of its multilateral assistance has increased in the 1990s. Only when Japan gives money through multilateral institutions does it encourage reform (in line with the other donors), which accounts for why the vast majority of Japanese aid has remained bilateral. Australian aid, it needs to be noted, is largely bilateral, although more assistance has been given to multilateral agencies in recent years. Both donors, therefore, have preferred bilateral aid. Australia's more favourable opinion on multilateral aid, in line with its reform agenda, means that an increasing amount of its ODA will most likely be given in this form.

The above discussion on the Australian and Japanese aid programmes to the region, and world-wide, help reinforce the claims made regarding their different motivations for giving aid. For both, 'opportunity', particularly for economic gain, is a defining characteristic. So, too, is a 'duty' to allies, their standing in the international community, and to a lesser extent, the region. Now, with the dawning of a new century, a reform 'agenda' is evident in

and freedoms in the recipient country." Section 3 (e) relates to Japan's support for structural adjustment

Australia's aid philosophy that is moving it further away from the Japanese aid ethos. Both have made a significant contribution to the region, through ODA, since the mid 1970s, and while they are influenced by differing motivations, the greatest similarity between them has been and will continue to be the uneasy nexus between self-interest and altruism.

6.9 IMPLICATIONS FOR FUTURE RESEARCH ON AID IN THE SOUTH PACIFIC:

There is a greater need for research to focus more on donor motivations from a perspective which is not guided by any one of the three major International Relations theories (Realist, Idealist, Marxist). While doubtless each is useful as a 'window' through which attempts to understand the region can be made, they have a tendency to greatly distort reality. In the case of Japanese aid, for example, the range of perspectives on aid motivations vary enormously. At one end of the continuum, some believe that Japan sought and continues to seek the establishment of a neo-colonial relationship with the region, centred upon the exploitation of resources and the fostering of dependency of recipient nations for Japan's own benefit.⁵ At the other, Japan is deemed to have no 'grand design' in the region.⁶

policies.

⁵ For example, C. Burgoyne, "Japanese Pacific Aid Suspect", *Pacific World: An international Quarterly on Peace and Ecojustice*, Volume 19, May 1991 or F.V. Sevele, "Aid to the Islands Reviewed", in A. Hooper

What does this suggest? Certainly, it reveals the difficulties inherent in assessing the situation from a particular perspective. More seriously, however, it indicates the problem that the true intention of donors may never be known, such is the difference between rhetoric and reality. Furthermore, in the South Pacific context, the lack of readily available statistics on all aspects of aid delivery (which hindered this thesis) means that all too often assessing the motivations of aid donors involves a degree of 'guess work' on the part of the researcher.

The tiny amount of aid allocated to the region by Japan and Australia (with the exception of Papua New Guinea) as part of each donor's overall aid budget also has implications for future research. This study has relied, for instance, on a number of official Australian reviews of aid policy. Careful attention was paid to the sections which specifically dealt with the region, but wider policy initiatives found in these reports were also taken into account. The extent to which Australia considers the South Pacific in isolation from other regions around the globe, or as part of a larger, more universal aid philosophy is not particularly evident in this literature. Future research must address this issue.

(ed.) Class and Culture in the South Pacific, Auckland: Centre for Pacific Studies, University of Auckland, 1987.

⁶ For example, S. Hoadley, "Japan's Pacific Island Policies", New Zealand International Review, Volume 16, Number 3, May/June 1991 and his The South Pacific Foreign Affairs Handbook, Sydney: Allen and Unwin in Association with the New Zealand Institute of Foreign Affairs, 1992

The dearth of comparative analyses of aid donors, particularly in the South Pacific, presents great opportunities for further research. Until more quantitative data is available, however, comparative analyses, such as those discussed in Chapter One, will prove difficult to successfully accomplish. This is not to argue, however, that a qualitative approach is any less important. Indeed, such an approach can teach us much about foreign aid – a key component of any developed nation's foreign policy – and should thus be vigorously pursued by scholars in the years ahead.

BIBLIOGRAPHY

BIBLIOGRAPHY:

- AKE, C. "Development and Underdevelopment" in Krieger J. (ed) The Oxford Companion to Politics of the World, New York: Oxford University Press, 1993
- APTER, D.E., "Towards a Theory of Modernization" in Botchway F.A. (ed) Modernization: the economic and political transformation of society, Berkeley: McCutche Publishing Corporation, 1970
- AUSTRALIAN DEPARTMENT OF DEFENCE., Australia's Strategic Policy, Canberra: Australian Government Publishing Service, 1997 (Available: <http://www.minister.defence.govt.au/sr97/welcome.html>)
- Defence Review 2000 (Government Green Paper on defence policy), Canberra: Australian Government Printing Service, 2000 (Available: <http://whitepaper.defence.govt.au>)
- AUSTRALIAN MINISTRY FOR TRADE AND OVERSEAS DEVELOPMENT., Changing Aid for a Changing World: Key Issues for Australia's Aid Program in the 1990s, [Ministerial Policy Paper and Third Annual Report to Parliament on Australia's Overseas Development Cooperation Program], Canberra: Australian Government Publishing Service, 1992
- BILNEY, G., The Philosophy and Process of Australia's Development Cooperation Program with the South Pacific, Centre for Pacific Studies: University of New South Wales, 1994 [Pacific Studies Monograph No.14]
- BODDE, W., "Summit to boost Japan's influence in Pacific", Pacific Islands Report, Pacific Islands Development Program/Center for Pacific Island Studies, October 12, 1997 (Available: <http://pidp.ewc.hawaii.edu/pireport/special/pij-03.html>)

- BOYD, M., "Australia, New Zealand and the Pacific" in Rayburn R. (ed), Foreign Policy School 1978: Australia and New Zealand Relations, Dunedin: Otago University Press in association with the Otago Foreign Policy School, 1978
- BURGOYNE, C., Japanese Pacific Aid Suspect, Pacific World: An International Quarterly on Peace and Ecojustice, Volume 18, May 1991
- DALTON, J., "The South Pacific in the post-Cold War world: old friends or new allies or alliances" A paper presented at the Society of Military History Meeting held at the Royal Military College, Kingston, Ontario, Canada, 20-23 May 1993
- DEVELOPMENT ASSISTANCE COMMITTEE (DAC),
 "Development Co-operation Review of Australia: Summary and Conclusions, 1999" (Available:
<http://www.oecd.org/dac/htm/ar-australia99.htm>)
- "Development Co-operation Review of Japan: Summary and Conclusions, 2000" (Available:
<http://www.oecd.org/dac/htm/ar-japan.htm>)
- Aid Review of Australia, 1999 (Available:
<http://www.oecd.org/dac/htm/australia99.htm>)
- Aid Review of Japan, 1999 (Available:
<http://www.oecd.org/dac/htm/ar-japan.htm>)
- EBERSTADT, N., Foreign Aid and American Purpose, Washington D.C.: American Enterprise Institute, 1988
- FININ, G.A. AND WESLEY-SMITH, T., "A New Era for Japan and the Pacific Islands: The Tokyo Summit", Pacific Islands Report, Pacific Islands Development Program/Center for Pacific Island Studies, Analysis from the East-West Center, University of Hawai'i, No.32, September 1997 (Available:
<http://pidp.ewc.hawaii.edu/PIReport/Special/anewera.htm>)

FUNABASHI, Y.(ED), Japan's International Agenda, New York: New York University Press, 1994

GHAH, Y., "Reflections on Self-Determination in the South Pacific" in Clark, D. and Williamson, R., Self-Determination: International Perspectives, New York: St Martin's Press, Inc, 1996

GILPIN, R., The Political Economy of International Relations, Princeton: Princeton University Press, 1987

GOUNDER, R., Overseas Aid Motivations: The Economics of Australia's Bilateral Aid, Aldershot: Averbury Publishing Limited, 1995

GRYNBERG, R., The Tuna Dilemma, Pacific Islands Monthly, Volume 63, Number 5, May 1993

HANLON, D., "Patterns of colonial rule in Micronesia" in Howe, K.R., Kiste, C. and Lal, B.V.(eds), Tides of History: The Pacific Islands in the twentieth century, Honolulu: University of Hawaii Press, 1994

HASEGAWAWA, S., Japanese Foreign Aid: Policy and Practice, New York: Praeger, 1975

HEGARTY, "South Pacific Security Issues: An Australian Perspective", in Conflict, Volume 8, 1988, pp311-326

HOADLEY, J.S., Aid and National Security: The Politics of New Zealand" Development Assistance, in Olssen, E. and Webb, W. New Zealand, Foreign Policy and Defence, Otago: Foreign Policy School, University of Otago, 1977 p145-159

"Japan's Pacific Island policies", New Zealand International Review, Volume 16, Number 3, May/June 1991

The South Pacific Foreign Affairs Handbook, North Sydney, NSW: Allen and Unwin in association with the New Zealand Institute of International Affairs, 1992

HOOK, S.W., National Interest and Foreign Aid, Boulder: Lynne Rienner Publishers, 1995.

HORGAN, M.J., "European Integration and the Marshall Plan," in Hoffmann, S. and Maier, C. (eds), The Marshall Plan: A Retrospective, Boulder: Westview Press, 1984

HULSEN, A., "PALM 2000 Summit Ends in Miyazaki with Announcement of New Japanese Initiatives", Pacific Islands Report, Pacific Islands Development Program/Center for Pacific Studies, East-West Center: University of Hawai'i, April 24, 2000 (Available: <http://pidp.ewc.hawaii.edu/pireport/2000/April/04-24-01.htm>)

INADA, J., Japan encourages democracy: using the aid lever, New Zealand International Review, Volume 16, Number 4, July/August 1992

JACKSON, R.G., Report of the Committee to Review the Australian Overseas Aid Program, Canberra: Australian Government Printing Service, 1984

JAPANESE MINISTRY OF FOREIGN AFFAIRS., Japan's Official Development Assistance Annual 1998, Tokyo: Ministry of Foreign Affairs, 1998

KOLKO, J. AND KOLKO, G., The Limits of Power: The World and United States Foreign Policy, 1945-1954, New York: Harper and Row, 1972

LAMOUR, P., "The Decolonisation of the Pacific", in Crocombe, R. et al, Foreign Forces in Pacific Politics, Suva: University of the South Pacific, Institute of Pacific Studies, 1983 (Politics in the Pacific Islands, vol. 4)

LUMSDAINE, D.H., Moral Vision in International Politics: The Foreign Aid Regime, 1949-1989, Princeton: Princeton University Press, 1993

- McGALL, G.(ED), Arguing for Aid: Some Australian Voices, Kensington, NSW: Centre for South Pacific Studies, the University of New South Wales, 1992 (Pacific Studies Monograph No.5)
- MCKINLEY, R.D., "The Aid Relationship: A Foreign Policy Model and Interpretation of the Distribution of Official Bilateral Economic Aid of the United States, the United Kingdom, France and Germany, 1960-1970", Comparative Political Studies, Vol 11, No. 4, January 1979, pp411-463
- MINISTRY OF FOREIGN AFFAIRS., Japan's Official Development Assistance Annual Report, 1990, Tokyo: Ministry of Foreign Affairs, 1990
- MINISTRY FOR TRADE AND DEVELOPMENT, Changing Aid for a Changing World: Key Issues for Australia's Aid Program in the 1990s, Canberra: Australian Government Printing Service, 1992
- MONDEN, K., Japanese Interests in the South Pacific Region, (Research Essay), Wollongong: University of Wollongong, 1996
- NEEMIA-MACKENZIE, U.F., "Russophobia and Self-Determination", in WALKER, R. AND SUTHERLAND, W. (eds), The Pacific: Peace, Security and the Nuclear Issue, Tokyo: UN University Studies in Peace and Regional Security, UN University, 1988
- NESTER, W.R., Japan and the Third World: Patterns, Power, Prospects, London: Macmillan, 1992
- OGDEN, M.R., "MIRAB and the Marshall Islands", ISLA: A Journal of Micronesian Studies, 2:2, Dry Season, (University of Guam), 1994
- ORR, R.M., "Collaboration or conflict? Foreign aid and U.S.-Japan relations", Pacific Affairs, Volume 62, Winter 1989/90

PACIFIC ISLANDS DEVELOPMENT PROGRAM/CENTER FOR PACIFIC STUDIES., "Keynote Speech by Prime Minister Ryutaro Hashimoto at the Japan-South Pacific Forum Summit Meeting, October 13, Pacific Islands Report, East-West Center: University of Hawai'i, 1997 (Available: <http://pidp.ewc.hawaii.edu/PIReport/Special/10-21-A.html>)

"Joint Declaration on the occasion of the Japan-South Pacific Forum Summit Meeting", October 13, Pacific Islands Report, 1997 (Available: <http://pidp.ewc.hawaii.edu/PIReport/Special/10-20-E.html>)

"PALM 2000: Statement on Environment in the Pacific", April 26, Pacific Islands Report, East-West Center: University of Hawai'i, 2000 (Available: <http://pidp.ewc.hawaii.edu/pireport/2000/April/04-26-02.htm>)

"Miyazaki PALM Declaration: Our Common Vision for the Future", April 26, Pacific Islands Report, East-West Center: University of Hawai'i, 2000 (Available: <http://pidp.ewc.hawaii.edu/pireport/2000/April/04-26-02.htm>)

PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE., Australia's relations with the South Pacific, Canberra: Australian Government Publishing Service, 1989

A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program, Canberra: Australian Government Publishing Service, 1989

RIX, A., Japan's foreign aid policy: a capacity for leadership?, Pacific Affairs, Volume 62, Winter 1989/90

Japan and Oceania: strained Pacific cooperation, in Ozaki, R.S. and Arnold, W.(eds), Japan's Foreign

Relations: A Global Search for Economic Security,
Boulder, Westview Press, 1985

ROSS, K., Regional Security in the South Pacific: The
Quarter Century 1970-95, Canberra: Strategic and
Defence Studies Centre, Research School of Pacific
Studies, Australian National University, 1995

SCALPINO, R., "The Foreign Policy of Modern Japan" in
MACRIDIS, R.A., (ed) Foreign Policy in World
Politics (8th ed.), New Jersey: Prentice Hall, 1992

SCHRAEDER, P.J, HOOK, S.W. AND TAYLOR, B.,
Clarifying the Foreign Aid Puzzle: A Comparison of
American, Japanese, French and Swedish Aid Flows,
World Politics 50: 294-323, January 1998.

SENATE STANDING COMMITTEE ON FOREIGN
AFFAIRS AND DEFENCE., Australia and the South
Pacific, Canberra: Australian Government Publishing
Service, 1978

SEVELE, F.V., Aid to the Islands Reviewed, in Hooper, A.
(ed) Class and Culture in the South Pacific, Auckland:
Centre for Pacific Studies, University of Auckland,
1987

SIMONS, P., Report of the Committee of Review on
Australia's Overseas Aid Program, Canberra:
Australian Government Printing Service, 1997

STERLING, J., "Japan and Asia: A Business Foreign Policy",
Asian Affairs, July-August, 1981

TAKEDA, I., Japan's Aid to the Pacific Island States, in
Koppel, B., and Orr, R.M., (eds), Japan's Foreign Aid:
Power and Policy in a New Era, Boulder: Westview
Press, 1993

TARTE, S., Japan's Aid Diplomacy and the South Pacific,
Suva: Institute of Pacific Studies, University of the
South Pacific, 1998

WOOD, R.E., From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy. Berkeley: University of California Press, 1986.

WRIGHT-NEVILLE, D., The Evolution of Japanese Foreign Aid, 1955-1990: The Impact of Culture, Politics and the International System on the Policy Formulation Process. Clayton: Monash University Development Studies Centre, 1991 (Monograph No. 2)

YASUTOMO, D.T., The Manner of Giving: Strategic Aid and Japanese Foreign Policy. Lexington: Lexington Books, 1986

The New Multilateralism in Japan's Foreign Policy

“Why Aid? Japan as an ‘aid great power’”, Pacific Affairs, Volume 62, Winter 1989/90